Dollar Concept Closeout Chains

Chain Name	Owner	Headquarters	Expected Year End Store Count
Everything's a $1.00	Value Merchants	Milwaukee	390
Dollar Tree	Only One Dollar	Norfolk, Va.	260[1]
All For One	Consolidated Stores	Columbus, Ohio	155
All For A Dollar	Public Company	Springfield, Mass.	112
Dollar Bills	Private	Crestwood, Ill.	80
Dollar Express	Private	Philadelphia, Pa.	43
99¢ Only	Private	Los Angeles, Calif.	32
98 Cents Clearance Center	Step Ahead Investments	Sacramento, Calif.	23
Dollar Discount Stores	Private	Philadelphia, Pa.	12[2]
Just A Buck	Private	Middletown, N.Y	12

[1] Includes 25 stores under name, Only One Dollar
[2] All franchised

Source: DSN research

Dollar Chains Emerge As Value Stores of '90s

(Continued from page 44)

To make sure its stores are welcome in malls, All For One retained the design services of Retail Planning Associates, Columbus, Ohio.

Design features include dump basket fixtures on wheels that roll in and out of the back room for ease of restocking, said John Bradford, RPA director of marketing.

Upscale design features include paper mache mannequins for window displays and a wave baffle ceiling design intended to make shoppers exclaim, "I can't believe this is a dollar store," Bradford said.

All For One expects to end the year with 155 stores, Bell predicted, and open about 150 more next year. "There are an infinite number of strip centers and malls," he said.

All for One counts Rubbermaid, Mattel, Duracell, Rustoleum, Crest, Flex, Brach's and Junior Mints among its national brand offerings, Bell said.

As the nation's largest retailer and wholesaler of closeout goods, Consolidated expects to have no difficulty buying enough merchandise to stock its dollar chain, Bell said.

Mall operators are anxious to rent empty stores, said Marty Effron, chairman and ceo of All For a Dollar, Springfield, Mass., "but they insist on classier stores" ADLR went public this spring to raise some $12.5 million for expansion.

Dollar store chains have had to dress up their stores and replace "schlock merchandise" with a better grade of goods, Effron said. "The mix of brands is getting better," Effron said. Five years ago, mall operators wouldn't have touched a dollar store, he said. Most of ADLR's 95 stores are in enclosed malls, Effron said. ADLR expects to end the year with 112 units, compared to 63 at the end of 1991.

MacFrugal's (formerly Pic 'N' Save), the nation's second largest closeout chain based in Dominguez, Calif., has no plans to start a dollar chain.

Of the other privately held dollar chains, Dollar Bills, Crestwood, Ill., is the largest, with a year-end store count expected to hit 80 in eight states ranging across the midwest to Virginia and Maryland.

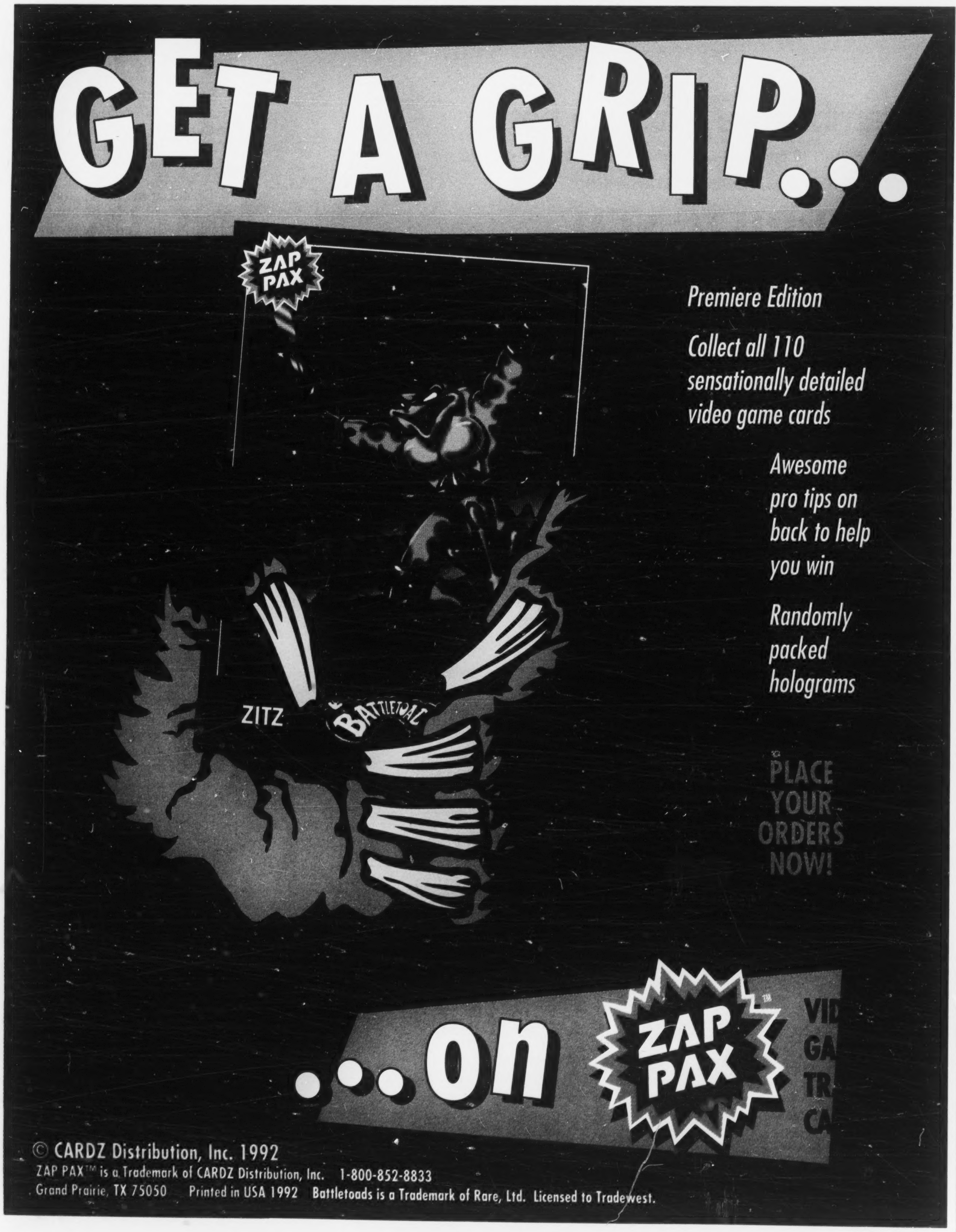
Hundreds of dollar stores are popping up in New York, said Steven Bakst, president of Just a Buck, Middletown, N.Y. The chain operates seven units and expects to open eight more by year end.

National brands, such as Revlon, Salon Selectives, Adidas (crew socks), S.C. Johnson, Stanley and Elmers, account for about 25% of sales, Bakst said. Imports and domestic goods are split about 50-50.

Just a Buck buys some of its goods in bulk without packaging.

A bakery supplier is making a special, 14-ounce pound cake specifically for his chain, Bakst said.

Dollar stores account for a "lot of dollars, one at a time, Bakst said.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Discount Store News.
THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

ANNUAL REPORT 92

PART 1

Discounting is hot! Industrywide sales grew by 11.2% last year to $175 billion. DSN's 1991 Annual Report on the Discount Industry projects that discount sales will rise to nearly $190 billion this year.

TSC
FARM-HOME-AUTO

See newly expanded list of Top 175 Retailers—pages 75, 77, 79

Most Discount Sectors See Healthy Sales Gains in '91

Specialty Discounters

	Sales (In Billions)	% Change
1987	$19.0	—
1988	22.1	+16.3%
1989	23.4	+ 5.8
1990	24.8	+ 5.9
1991[1]	27.6	+11.3
1992[1](proj.)	29.0	+ 5.1

[1] Includes Home Specialty Discounters.

Source: DSN research

Full-Line Discount Dept. Stores[1]

	Sales (In Billions)	% Change
1987	$ 79.8	—
1988	83.7	+4.8%
1989	87.2	+4.1
1990	92.0	+5.5
1991	99.7	+8.4
1992 (proj.)	104.9	+5.2

[1] Includes supercenters, dollar discounters and closeouters.

Source: DSN research

Discount Industry Sales[1]

	Sales (In Billions)	% Change
1987	$127.4	—
1988	137.3	+ 7.8%
1989	146.5	+ 6.6
1990	157.4	+ 7.4
1991	175.0	+11.2
1992 (proj.)	189.6	+ 8.3

[1] Includes full-line discount department stores, supercenters, dollar discounters, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters.

Source: DSN research

Catalog Showrooms

	Sales (In Billions)	% Change
1987	$6.9	—
1988	7.2	+4.3%
1989	7.5	+4.1
1990	7.2	(4.0)
1991	6.5	(9.7)
1992 (proj.)	6.4	(1.5)

( )—Decline

Source: DSN research

Warehouse Clubs

	Sales (In Billions)	% Change
1987	$11.8	—
1988	13.9	+17.7%
1989	17.4	+25.1
1990	21.4	+22.9
1991	28.0	+30.8
1992 (proj.)	35.0	+25.0

Source: DSN research

Apparel Off-Pricers

	Sales (In Billions)	% Change
1987	$ 9.9	—
1988	10.5	+ 6.0%
1989	11.0	+ 4.7
1990	12.0	+ 9.0
1991	13.2	+10.0
1992 (proj.)	14.3	+ 8.3

Source: DSN research

Despite a stubborn national recession that deprived many retailers of profit growth for the second year in a row and caused others to fall into bankruptcy, the discount store industry posted an 11.2% sales gain in 1991 over 1990.

In fact, with 1991 sales of $175 billion, the discount store industry surpassed even *DSN*'s own aggressive forecast that sales would approach $170 billion.

The industrywide sales growth was largely the result of the growth in warehouse clubs, which recorded a 30.8% sales gain in 1991. This record sales pace more than compensated for the 9.7% sales decline recorded by catalog showrooms, an industry in decline since 1990.

The strong performance of the warehouse clubs served to bolster the entire discount store industry, which recorded gains in all but the catalog sector, albeit much smaller increases.

So strong were the individual sales performances of the nation's four leading clubs—Sam's Club, Price, Costco and Pace—that they are now among the top 10 discounters in the United States. In fact, Sam's Club, the largest of the clubs, switched places with Target this year as the No. 4 discounter in the country, and Pace, in the No. 10 slot, jumped five places from the 1990 survey. Price stayed even in the No. 6 spot although its sales jumped 24.8% over 1990.

These facts are only a few of the many revealed from compiling data for the 1991 annual census report. This issue, Part 1, provides insight into the size and scope of the discount store industry by sales, operating income, store counts (including projected openings) of the nation's largest full-line discount department stores, membership warehouse clubs, off-price apparel chains, dollar discounters, hypermarkets and superstores, closeouters, specialty discounters (such as toy, office superstores and consumer electronics retailers) electronic retailers and specialty mass retailers (Sears and Montgomery Ward.)

This census report also provides insight into the inner workings of the entire discount store industry by specific performance measures such as sales per square foot and events that shape the industry like mergers, acquisitions, initial public offerings and Chapter 11 bankruptcies.

DSN also has made some additions to the annual census report. For the first time, home specialty discounters such as Linens 'N Things and Bed Bath & Beyond are included in the survey.

The centerpiece of *DSN*'s annual census coverage, the list of top discounters, has been expanded from 150 companies to 175 retail chains this year each with sales of at least $30 million.

Part 2 of the census report (slated for the July 20 issue) focuses on departmental sales, inventory turns, gross margins, sales per store and sales per square foot data on the nation's top chains, plus a state-by-state count of all discount stores, clubs, catalogers, and specialty mass retailers.

What is clear in this year's report on the discount industry is the strong impact the recession has played on sales, profits and store growth of the industry's weakest companies. For example, Ames, Hills, Stuarts, Best Products, and Lionel Leisure are still in Chapter 11 after one year and five other chains made the list this year. Fourteen chains made the liquidation list in the current survey, up from seven a year ago.

Sales gains by the nation's top chains also took it on the chin this past year. Increases were recorded by 129 of 175 companies in 1991 compared to 121 of 150 companies in 1990.

Profit increases are much more difficult to calculate since so many chains do not report earnings. However, 1991 marked both sales and earnings declines within the top 10.

This year, Sears, with its highly publicized troubles and personnel cutbacks, posted a 0.1% sales decline in 1991 but an operating income gain of a whopping 111.7%. At Target, a 1.7% profits decrease was reported on a 10.6% sales gain.

In the top 10, sales rose to $120.25 billion in 1991, up 14.3%.

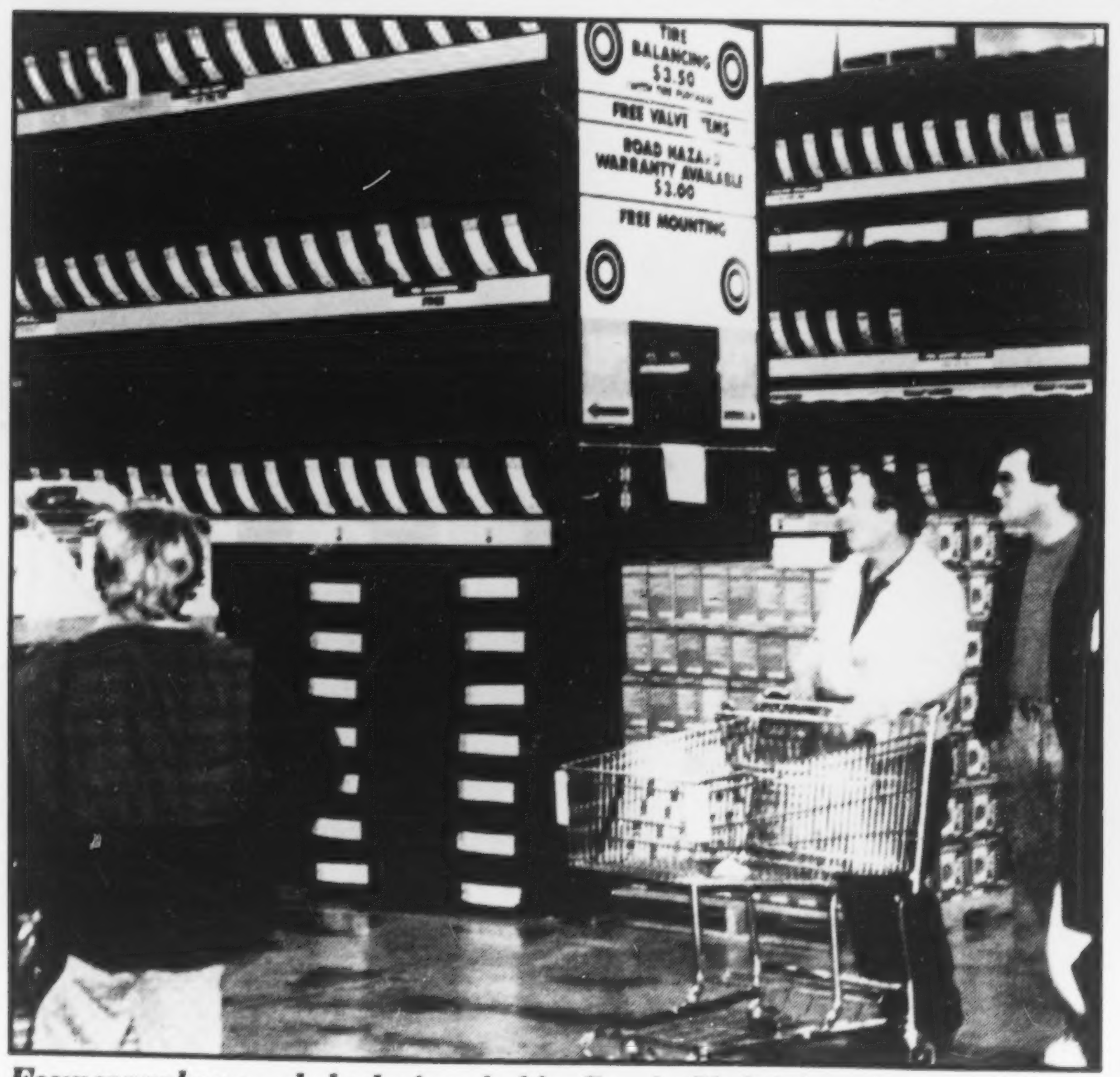
In the top 25, sales rose 12% to $153.25 billion; with the top 50 chains, there was an 11.6% increase to slightly less than $175.2 billion. For the top 100, 150 and 175 chains the increases were 11.2%, 11.1% and 11%, respectively.

For all full-line discount department stores, which includes supercenters, dollar discounters and closeouters, 1991 sales totaled $99.7 billion, up 8.4% from 1990. For 1992, *DSN* is projecting sales to rise 5.2% to $104.9 billion.

In descending order of sales, *DSN* has calculated the following results for 1991 and sales projections for 1992:

- Warehouse club sales totaled $28 billion in 1991, an increase of 30.8%. In 1992, sales are projected to be $35 billion, up 25%;

(Continued on page 108)



***Four warehouse club chains,** led by Sam's Club (above), have climbed to prominence among the top 10 discounters in the U.S.*

METHODOLOGY

Discount Store News' Annual Report on the Discount Industry is the most comprehensive, accurate and most widely quoted study on discount retailing.

Part 1 reports sales, operating profits and store counts on the top 175 discount retailers in the U.S. *DSN*'s Top 175 list includes discount department stores, warehouse clubs, catalog showrooms, hypermarkets and supercenters, off-price apparel chains, dollar discount stores, closeout store chains, multidepartment specialty mass retailers and specialty discounters in toys, sporting goods, office supplies, consumer electronics, automotive aftermarket and, new this year, home specialty chains. Separately, the report profiles the associated mass retail segments of variety stores, craft chains, deep discount health & beauty care chains, and special reports on Canadian and Mexican retail markets.

The data for this issue was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 250 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, historical performance and other sources. This year's report contains some changes from last year's because some firms chose to update figures they reported last year. *DSN* published only the updated figures. Other changes in classifications of retailers (such as when a chain alters its merchandising philosophy and is reclassified into a different retail segment) may also affect previously reported figures.

IPOs Replace LBOs as Restructuring Tactic

By Richard Halverson

Initial public offerings to raise equity took over the retail restructuring scene over the past 18 months, as leveraged buyouts, a key tactic of past years, fell out of favor.

Much of the $1.45 billion raised through IPO's went either to pay off debt or to cash in entrepreneur's profits, rather than to fund store expansion.

But the IPO market is cooling, as once-burned investors cast a wary eye on new offerings. As a consequence, most new stock prices are easing from original expectations.

As a sign of that, Jay Stein, founder of Stein Mart, changed his mind about selling 750,000 of his own shares when his company sold a minority stake in the off-price apparel chain to the public in May.

Value City abandoned a planned additional stock offering to finance the $23 million GB purchase from their common parent, Schottenstein Stores, for conversion to the Value City format. Instead, Value City turned to the banks for the money to convert the GB stores.

During the past year and a half, 20 discounters went public and another, Tops Appliance City, has filed a registration to go public. (That deal was still pending at press time.)

In comparison, eight retailers have gone public in the previous 18 months.

ShopKo accounted for the largest IPO of the period, when Super Valu, its supermarket parent, sold a 44% stake in the regional discounter for $247.5 million. When spinning off ShopKo, Super Valu retained ownership of the two Twin Valu hypermarkets ShopKo had started.

Bradlees, another spin-off by a supermarket parent, Stop & Shop, accounted for the second largest discounter IPO, $176 million for 100% of the chain.

At the other end of the spectrum, Odd's N' End's, a closeout chain in Buffalo, N.Y., raised $5.3 million to pay down debt and expand the chain.

No management-led leveraged buyouts occurred during the 18-month period examined, compared to three in the previous period. One of those, Dot Drug, an LBO of Wal-Mart's deep discount drug chain, went out of business in January 1992.

Mergers and acquisitions continued at a fairly consistent pace, with 14 chains changing hands in this year's census reporting period, compared to 18 last period.

Once again, Kmart demonstrated by acquiring all but 7% of OfficeMax that it would rather buy specialty chain expertise than try to develop it in-house. Earlier, it had sold its Office Square office products chain to OfficeMax in exchange for an initial 22% stake.

The shakeout in the office products field continued with the acquisition of two other chains in the past 12 months: OW Office Warehouse, 46 stores, by OfficeMax for conversion; and WORKplace, 11 stores, by Staples.

One of the major acquisitions of the past year was Child World by Avon Investors. At press time, the toy chain was working to save itself from liquidation by trying to join forces with Lionel Kiddie City, also in Chapter 11.

Child World declared Chapter 11 bankruptcy this May, and received bankruptcy court approval last month to liquidate its remaining 71 stores if its efforts to merge with Lionel fails. Its demise appeared imminent at press time.

Toys accounted for another of the 14 acquisitions when K&K Toys sold its 136 stores to Melville for conversion to the Kay-Bee Toys name.

Two other acquisitions are in the works but incomplete at press time.

A Los Angeles investor group has agreed to buy the three sporting goods chains operating 267 stores that Pacific Enterprise owns through its Thrifty Corp. subsidiary: Big 5, MC Sporting Goods and Gart Bros. And Super Valu has agreed to purchase Wetterau, the grocery wholesaler that owns Laneco, a chain of 14 combination grocery and general merchandise stores.

By category, regional catalog showrooms accounted for the largest number of discounter dissolutions over the past year, five out of 14. They are: W. Bell, Foland's, The Present Co., E.H. Tepe and Value House. Arthur's is also hanging on with just one store, down from 11, and Brendle's has gotten out of the catalog showroom field and is changing to a jewelry and giftware concept.

Best Products is still operating under the protection of Chapter 11 bankruptcy, which it filed in January 1991.

Consumer electronics chains accounted for two liquidations: Polk Bros., Chicago, and Newmark & Lewis, New York.

L.A. Joe's, which Jordache built on the remnants of the Heck's chain, Nitro, W. Va., closed its doors back in February under new owners.

The most spectacular retail failure was that of New York-based Alexander's. Upon filing Chapter 11 bankruptcy in

(Continued on page 121)

Retail Restructurings Since January 1991

Initial Public Offering

Public Chain	Date	Public Stake	Amount Raised
Tops Appliance City[1]	June 1992	NA	$30 million
All For A Dollar	May 1992	37.2%	18 million
Bradlees	May 1992	100.0%	176 million
Stein Mart	May 1992	26.7%	42.3 million
SportsTown	May 1992	41.4%	22.8 million
Bed Bath & Beyond	April 1992	40.0%	104 million
Ben Franklin	April 1992	33.3%	9 million
Fred's	March 1992	27.90%	52.2 million
Odd's N' End's	February 1992	39.6%	5.3 million
Stop and Shop[2]	November 1991	33.0%	212.5 million
Goody's Family Clothing	November 1991	36.5%	59.3 million
ShopKo	October 1991	54.0%	247.5 million
Smart & Final	August 1991	37.7%	95 million
Rag Shop	June 1991	33.3%	9.4 million
Hi/Lo Automotive	June 1991	33.5%	38 million
Value City	June 1991	25.0%	64 million
Filene's Basement	May 1991	24.3%	70 million
AutoZone	May 1991	10.0%	85 million
OW Office Warehouse	May 1991	46.5%	23 million
Caldor	April 1991	30.7%	108 million

[1] IPO filed, not yet issued at press time.
[2] Bradlees parent

Liquidations

Chain	Date	Units Left at End
Polk Bros.[1]	June 1992	5
The Present Co.	June 1992	24
E.H. Tepe	June 1992	10
Foland's	May 1992	6
Alexander's[2]	May 1992	11
L.A. Joe's[3]	February 1992	71
Newmark & Lewis	January 1992	26
Dot Drug[4]	January 1992	14
W. Bell	December 1991	8
Value House	December 1991	5
Crown Auto	May 1991	35
Office Stop	May 1991	5
HQ Office Supplies Warehouse	April 1991	11
Sky City	Jan. 1991	55

[1] Announced in June plans to liquidate in 1992; has closed four of five units and will close remaining store in the near future.
[2] Liquidating all retail stores upon filing Chapter 11 to become a real estate operator.
[3] Previously Heck's until purchased, renamed and remerchandised by Jordache.
[4] Deep discount drug chain; a management-led leveraged buyout from Wal-Mart in 1990.

Mergers and Acquisitions

Acquired Chain	Acquirer	Date	Units	Price	Fate of Chain
Big 5, MC Sporting Goods, Gart Bros.[1]	Leonard Green Associates	6/92	267	NA	Undetermined
Laneco[1]	Super Valu	6/92	14	NA	Unchanged
OW Office Warehouse	OfficeMax	6/92	46	$76M	Converted to OfficeMax
GB Stores	Value City	5/92	17	$23M	Converted to Value City
WORKplace	Staples	4/92	11	NA	Unchanged
Shoe City[2]	Pic 'N Pay	2/92	325	$18M	Unchanged
Bargain Town[2]	Variety Wholesalers	2/92	67	NA	Unchanged
OfficeMax	Kmart	11/91	79	NA	Unchanged
K&K Toys	Melville	10/91	136	NA	Converted to Kay-Bee Toys
Child World	Avon Investors	6/91	150	NA	Name Unchanged
BizMart	Intelligent Electronics	5/91	59	$192M	Name Unchanged
O.P. Club	The Office Place	5/91	19	NA	Both Names Survive
Big & Tall[3]	J. Baker	2/91	170	NA	Name Unchanged
Price Savers	Kmart	1/91	17	NA	Converted to Pace

[1] Agreement to purchase signed: deal remains pending at press time.
[2] Acquired out of bankruptcy from Enstar, Montgomery, Ala.
[3] Big & Tall men's store division acquired out of bankruptcy from Casual Male Corp.

Merchandising Concept Changes

Office Club, under its new owner, Office Depot, ceased to exist as a separate entity by May 1992, when Office Depot completely converted all Club stores to the superstore format.

Brendle's dropped its catalog showroom book for 1992 and is changing its concept to jewelry and giftware specialty retailing.

Source: DSN research

Top 175 Discount Retailers

Rank				Sales (In Millions)			Earnings* (Loss) (In Millions)			Number of Stores		
1991	1990	Chain, Headquarters	Code	1991	1990	Percent Change	1991	1990	Percent Change	1/91	1/92	Proj. 1/93
1	1	**Wal-Mart,**[1] Bentonville, Ark.	DDS	$31,667	$25,496	24.2%	$2,553.0	$2,043.0	25.0%	1,573	1,720	1,880
2	2	**Kmart,**[2] Troy, Mich.	DDS	24,749	24,144	2.5	1,367.0	1,257.0	8.8	2,205	2,249	2,308
3	3	**Sears,**[3] Chicago	SMR	19,805	19,823	(0.1)	163.0	77.0	111.7	863	868	875
4	5	**Sam's Club**, Bentonville, Ark.	CLUB	9,430	6,579	43.3	NA	NA	—	148	208	248
5	4	**Target**, Minneapolis	DDS	9,041	8,175	10.6	458.0	466.0	(1.7)	420	463	508
6	6	**Price Club,**[4] San Diego	CLUB	6,598	5,286	24.8	213.8	199.2	7.3	66	77	91
7	7	**Montgomery Ward**, Chicago	SMR	5,600	5,128	9.2	NA	NA	—	333	356	370
8	9	**Costco,**[5] Kirkland, Wash.	CLUB	5,216	4,060	28.5	137.7	93.0	48.1	69	82	100
9	8	**Toys "R" Us,**[6] Rochelle Park, N.J.	TOY	4,500	4,180	7.7	498.0	473.0	5.3	451	497	542
10	15	**Pace**, Englewood, Colo.	CLUB	3,646	2,295	58.9	39.0	12.0	225.0	78	87	115
11	12	**Meijer**, Grand Rapids, Mich.	HYPER	3,500	3,000	16.7	NA	NA	—	57	65	72
12	10	**Service Merchandise**, Nashville, Tenn.	CAT	3,400	3,435	(1.0)	299.2	294.8	1.5	346	359	376
13	11	**Ames,**[7] Rocky Hill, Conn.	DDS	2,819	3,109	(9.3)	(282.4)	(806.0)	(65.0)	455	371	371
14	14	**Circuit City**, Richmond, Va.	CE	2,790	2,367	17.9	124.1	91.4	35.8	228	229	229
15	13	**Fred Meyer**, Portland, Ore.	HYPER	2,700	2,400	12.5	86.8	67.5	28.6	97	94	98
16	16	**Marshalls**, Andover, Mass.	APP	2,358	2,183	8.0	NA	165.0	(100.0)	386	411	428
17	18	**T.J. Maxx,**[8] Framingham, Mass.	APP	2,180	1,900	14.7	180.9	160.6	12.6	392	437	482
18	23	**Pay Less NW**, Wilsonville, Ore.	DRUG	1,892	1,642	15.2	90.0	77.0	16.9	321	401	429
19	21	**Caldor**, Norwalk, Conn.	DDS	1,868	1,766	5.8	8.9	7.1	25.4	122	128	136
20	20	**Bradlees,**[9] Braintree, Mass.	DDS	1,772	1,772	0.0	65.6	57.8	13.5	130	129	127
21	17	**Hills,**[10] Canton, Mass.	DDS	1,680	2,140	(21.5)	56.6	67.7	(16.4)	214	154	154
22	22	**ShopKo,**[11] Green Bay, Wis.	DDS	1,648	1,521	8.3	81.0	73.0	11.0	104	109	111
23	25	**Venture**, O'Fallon, Mo.	DDS	1,522	1,421	7.1	65.8	53.8	22.3	79	84	93
24	19	**Best Products,**[12] Richmond, Va.	CAT	1,438	1,842	(21.9)	(36.5)	(284.3)	(87.2)	195	160	153
25	27	**BJ's Wholesale Club,**[13] Natick, Mass.	CLUB	1,432	1,150	24.5	22.6	11.3	100.0	27	29	39
26	26	**Western Auto,**[14] Kansas City, Mo.	AUTO	1,425	1,300	9.6	NA	NA	—	504	548	600
27	24	**Rose's**, Henderson, N.C.	DDS	1,423	1,525	(6.7)	15.4	(12.0)	(228.3)	256	232	217
28	51	**Office Depot,**[15] Boca Raton, Fla.	OFFICE	1,301	903	44.1	26.9	18.8	43.1	228	290	345
29	28	**Home Shopping Network**, Clearwater, Fla.	ELE	1,043	980	6.4	64.6	74.7	(13.5)	NA	NA	NA
30	29	**Kay-Bee,**[16] Pittsfield, Mass.	TOY	1,018	927	9.8	NA	NA	—	963	1,270	1,280
31	33	**Pep Boys**, Philadelphia, Pa.	AUTO	1,002	885	13.2	84.0	77.0	9.1	313	337	367
32	34	**Family Dollar,**[17] Charlotte, N.C.	DOLLAR	989	874	13.1	63.7	47.6	33.8	1,680	1,759	1,879
33	32	**Burlington Coat,**[18] Burlington, N.J.	APP	966	887	8.9	30.7	24.7	24.3	159	171	186
34	37	**Ross Stores**, Newark, Calif.	APP	930	804	15.7	45.0	25.0	80.0	185	203	223
35	45	**Best Buy**, Minneapolis	CE	930	665	39.8	18.8	11.0	71.0	56	73	103
36	40	**QVC Network,**[19] West Chester, Pa.	ELE	922	776	18.8	84.4	29.4	187.1	NA	NA	NA
37	30	**Silo**, Philadelphia, Pa.	CE	900	910	(1.1)	NA	NA	—	235	235	235
38	31	**Jamesway**, Secaucus, N.J.	DDS	855	897	(4.7)	(3.4)	(32.6)	(89.7)	134	122	122
39	44	**AutoZone,**[20] Memphis, Tenn.	AUTO	818	672	21.7	72.0	38.0	89.5	598	678	718
40	48	**Dollar General**, Scottsville, Ky.	DOLLAR	754	653	15.5	34.7	23.1	50.2	1,461	1,522	1,612
41	47	**Consolidated Stores,**[21] Columbus, Ohio	CLOSE	753	662	13.7	38.3	15.2	152.0	337	398	438
42	38	**Northern Automotive,**[22] Phoenix, Ariz.	AUTO	725	800	(9.4)	NA	NA	—	816	721	721
43	42	**Fedco**, Santa Fe Springs, Calif.	DDS	690	701	(1.6)	NA	NA	—	9	9	9
44	43	**Smitty's**, Phoenix, Ariz.	DDS	678	755	(10.2)	NA	NA	—	21	21	21
45	50	**Lechmere**, Woburn, Mass.	DDS	670	627	6.9	NA	NA	—	18	20	23
46	—	**Smart & Final**, Santa Barbara, Calif.	CLUB	663	564	17.6	4.2	13.6	(69.1)	111	116	128
47	53	**Kids "R" Us**, Paramus, N.J.	APP	655	580	12.9	29.7	29.0	2.4	164	189	214
48	46	**Pamida**, Omaha, Neb.	DDS	638	665	(4.1)	29.6	33.5	(11.6)	177	178	186
49	55	**Wal-Mart SuperCenter,**[23] Bentonville, Ark.	HYPER	600	530	13.2	NA	NA	—	7	10	25
50	49	**Herman's**, Carteret, N.J.	SPORT	600	580	3.4	NA	NA	—	250	259	274
51	52	**Thrifty Corp.,**[24] Los Angeles	SPORT	590	600	(1.7)	NA	NA	—	266	267	267
52	54	**Value City,**[25] Columbus, Ohio	DDS	586	538	9.0	43.8	31.2	40.4	53	56	75
53	36	**Child World,**[26] Avon, Mass.	TOY	580	829	(30.1)	(167.6)	(204.0)	(17.8)	182	151	71
54	39	**Highland Superstores**, Taylor, Mich.	CE	575	860	(33.1)	(76.3)	(8.4)	808.3	92	49	49
55	74	**Staples**, Newton, Mass.	OFFICE	547	299	83.1	18.4	5.9	212.5	74	123	179
56	56	**MacFrugal's,**[27] Dominquez, Calif.	CLOSE	543	529	2.6	63.2	67.0	(5.7)	191	193	203
57	82	**BizMart**, Dallas	OFFICE	493	259	90.3	NA	NA	—	51	69	99
58	61	**Filene's Basement,**[28] Wellesley, Mass.	APP	465	400	16.3	16.3	9.1	79.1	40	49	59
59	60	**Clover**, Philadelphia, Pa.	DDS	430	380	13.2	NA	NA	—	23	24	25
60	57	**Alexander's,**[29] New York, N.Y.	DDS	430	460	(6.5)	4.7	6.6	(28.8)	11	11	0
61	75	**The Good Guys**, San Francisco, Calif.	CE	427	294	45.2	18.7	12.6	48.4	26	37	47
62	58	**Fishers Big Wheel**, New Castle, Pa.	DDS	409	450	(9.1)	NA	NA	—	93	84	84
63	66	**Tops Appliances,**[30] Edison, N.J.	CE	400	380	5.3	NA	NA	—	3	4	5
64	62	**Chief Auto Parts**, Dallas, Texas	AUTO	400	400	0.0	NA	NA	—	518	525	525
65	64	**Loehmann's**, Bronx, N.Y.	APP	389	396	(1.8)	NA	NA	—	77	83	87

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Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
Results are for fiscal year ending Jan. '92 unless indicated.
NA: Not available or not applicable
—: Not ranked in previous year

[1] Wal-Mart: Sales are for discount stores only; Earnings are consolidated operating income before taxes for total corporation.
[2] Kmart: Sales are U.S. Kmart stores only, excluding Super Kmart Center/American Fare and including 49% of Meldisco footwear departments.
[3] Sears: Sales include U.S. Sears stores only; Earnings are Merchandising Group income before taxes, minority interest and equity income.
[4] Price Club: Sales include 12 Canadian clubs, but excludes membership fees of $142 million in '91 and $114 million in '90.
[5] Costco: Sales include 10 Canadian clubs, but excludes membership fees of $87.9 million in '91 and $73 million in '90.
[6] Toys "R" Us: Figures are for U.S. toy stores only.
[7] Ames: Sales for '91 include 77 closed stores only through Sept. '91; Sales for '90 includes 234 stores (221 thru April '90) closed last year and not included in '91 results after Sept. '91. Currently in Chapter 11.
[8] T.J. Maxx: Operating income includes nine Winners off-price apparel stores in Canada.
[9] Bradlees: Currently attempting spin-off as public corporation.
[10] Hills: In Chapter 11.
[11] ShopKo: Fiscal year ending Feb. 29, 1992.
[12] Best Products: In Chapter 11; Results include reorganization expenses.
[13] BJ's Wholesale Club: Results exclude costs of closing four clubs in Chicago.
[14] Western Auto: Includes company-owned Western Auto stores (375), 101 Tire America stores and 74 NTW tire stores.
[15] Office Depot: 1991 results include one-time charge of $8.9 million for acquisition of Office Club chain.
[16] Kay-Bee: 1991 figures include acquisition of K & K Toys.
[17] Family Dollar: Sales and earnings are for fiscal year ended in August.
[18] Burlington Coat: Figures for fiscal year ended in July.
[19] QVC Network: Sales include Sears product sales in 1991 of $22 million and $38 million in 1990.
[20] AutoZone: Figures for fiscal year ended in August.
[21] Consolidated Stores: 1992 store count includes 40 units of new, All-for-One Dollar closeout chain.
[22] Northern Automotive: Includes Schuck's, Checker, Kragen, and Autoworks chains; Sold 50-unit Crown Auto chain to Champion.
[23] Wal-Mart SuperCenter: Includes 4 Hypermart USAs.
[24] Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros. sporting goods chains.
[25] Value City: Figures for fiscal year ended in March.
[26] Child World: In Chapter 11.
[27] MacFrugal's: Formerly called Pic 'N' Save.
[28] Filene's Basement: Earnings represent net income.
[29] Alexander's: Results are for fiscal year ended in July. Company currently liquidating.
[30] Tops Appliances: Company currently attempting to go public.

Source: DSN research

Top 175 Discount Retailers

Rank		Chain, Headquarters	Code	Sales (In Millions)		Percent Change	Earnings* (Loss) (In Millions)		Percent Change	Number of Stores		
1991	1990			1991	1990		1991	1990		1/91	1/92	Proj. 1/93
66	65	**Hit or Miss,** Framingham, Mass.	APP	$377	$387	(2.6%)	($26.0)	($7.0)	271.4%	574	576	501
67	68	**WSR Group,**[1] Chicago	AUTO	375	320	17.2	NA	NA	—	299	326	350
68	—	**Pic 'N Save**, Jacksonville, Fla.	DDS	373	400	(6.8)	NA	NA	—	39	36	36
69	79	**Goody's Family Clothing**, Knoxville, Tenn.	APP	362	273	32.6	17.6	7.4	137.8	91	106	124
70	67	**Bigg's**, Milford, Ohio	HYPER	350	350	0.0	NA	NA	—	6	6	6
71	77	**Dress Barn,** Stamford, Conn.	APP	325	284	14.4	14.9	14.4	3.5	462	550	600
72	70	**Bi-Mart**, Eugene, Ore.	DDS	325	315	3.2	NA	NA	—	43	42	42
73	76	**Trak Auto**, Landover, Md.	AUTO	320	293	9.1	3.0	(4.1)	(173.2)	331	333	335
74	71	**Syms,**[2] Secaucus, N.J.	APP	317	314	1.0	14.3	14.1	1.1	27	28	28
75	86	**Nationwise,**[3] Columbus, Ohio	AUTO	315	290	8.6	NA	NA	—	270	289	289
76	59	**Lionel Kiddie City,**[4] Edison, N. J.	TOY	309	426	(27.6)	(115.3)	(11.2)	929.5	99	71	71
77	72	**Brendles**, Elkin, N.C.	CAT	301	311	(3.2)	6.5	14.3	(54.5)	57	52	53
78	94	**Super Kmart Center,**[5] Troy, Mich.	HYPER	300	200	50.0	NA	NA	—	5	6	9
79	69	**Oshman's, Houston**	SPORT	298	318	(6.3)	(4.0)	(4.1)	(2.4)	189	183	174
80	81	**American TV**, Madison, Wis.	CE	290	260	11.5	NA	NA	—	8	9	9
81	73	**Ann & Hope**, Cumberland, R.I.	DDS	285	290	(1.7)	NA	NA	—	6	6	6
82	84	**The Wiz**, Brooklyn, N.Y.	CE	284	250	13.6	NA	NA	—	30	37	40
83	—	**IKEA N.A.,**[6] Plymouth Meeting, Pa.	HOME	284	169	68.0	NA	NA	—	6	10	11
84	89	**Fretter**, Livonia, Mich.	CE	280	217	29.0	NA	NA	—	61	82	82
85	87	**Rich's**, Salem, Mass.	DDS	260	235	10.6	NA	NA	—	24	26	28
86	92	**Clothestime**, Anaheim, Calif.	APP	259	209	23.9	5.0	0.1	6,310.3	384	401	476
87	91	**Sportmart**, Niles, Ill.	SPORT	250	210	19.0	NA	NA	—	24	25	31
88	95	**OfficeMax**, Beachwood, Ohio	OFFICE	245	124	97.6	NA	NA	—	46	79	180
89	80	**Warehouse Club,** Skokie, Ill.	CLUB	242	260	(6.9)	(5.0)	(4.0)	25.0	10	10	10
90	120	**Sports Authority,**[7] Fort Lauderdale, Fla.	SPORT	241	105	129.5	3.0	(3.0)	(200.0)	19	36	54
91	85	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	240	250	(4.0)	NA	NA	—	555	535	550
92	—	**Lechtars, Inc.,** Harrison, N.J.	HOME	234	188	24.5	22.2	18.2	22.0	364	438	528
93	97	**Stein Mart,** Jacksonville, Fla.	APP	225	195	15.4	15.0	12.1	24.0	40	45	53
94	—	**Linens 'n Things,** Clifton, N.J.	HOME	221	202	9.4	NA	NA	—	141	143	151
95	83	**Consumers Distributing (U.S.),** Edison, N.J.	CAT	220	246	(10.6)	NA	NA	—	88	89	91
96	88	**ALCO,**[8] Abilene, Kan.	DDS	211	220	(4.1)	0.7	(3.3)	(121.2)	100	104	111
97	90	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	208	214	(2.7)	2.7	2.5	6.2	54	53	54
98	105	**Rex,**[9] Dayton, Ohio	CE	202	164	23.2	4.0	3.5	13.1	90	98	110
99	98	**Quality Stores,** N. Muskegon, Mich.	DDS	199	195	2.1	NA	NA	—	60	61	61
100	113	**BrandsMart USA,** Miami, Fla.	CE	197	134	47.0	NA	NA	—	1	3	3
101	93	**Paccar,**[10] Renton, Wash.	AUTO	195	226	(13.7)	NA	NA	—	139	130	140
102	126	**Big Bear Plus,** Columbus, Ohio	HYPER	190	100	90.0	NA	NA	—	5	9	12
103	104	**Jack's,** Quincy, Ill.	DDS	185	167	10.8	NA	NA	—	14	16	17
104	99	**K's Merchandise,** Decatur, Ill.	CAT	180	180	0.0	NA	NA	—	12	12	12
105	—	**Dahl's,** Des Moine, Iowa	HYPER	175	175	0.0	NA	NA	—	13	13	13
106	—	**Bed, Bath & Beyond,** Springfield, N.J.	HOME	168	135	24.1	12.0	12.0	0.0	27	34	44
107	108	**GB Stores,** Johnstown, Pa.	DDS	167	160	4.4	NA	NA	—	35	35	31
108	—	**Waccamaw Corp.,** Myrtle Beach, S.C.	HOME	166	155	7.1	NA	NA	—	24	29	29
109	107	**Swallen's,** Cincinnati	DDS	162	160	1.3	NA	NA	—	9	9	9
110	106	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	160	0.0	NA	NA	—	18	18	18
111	112	**Academy,** Houston, Texas	SPORT	160	105	52.4	NA	NA	—	27	25	30
112	100	**Prange Way,** De Pere, Wis.	DDS	156	180	(13.3)	NA	NA	—	24	24	24
113	—	**Hi/Lo Automotives,**[11] Houston	AUTO	156	143	9.3	10.9	8.1	34.6	107	114	130
114	111	**Gibson's Discount Centers,**[12] Dodge City, Kan.	DDS	150	135	11.1	NA	NA	—	32	30	32
115	110	**The Andersons,** Maumee, Ohio	DDS	140	136	2.9	NA	NA	—	6	6	6
116	136	**OW Office Warehouse,**[13] Virginia Beach, Va.	OFFICE	140	80	75.0	(9.5)	(2.3)	313.0	23	42	0
117	116	**Sports Unlimited,** Tampa, Fla.	SPORT	139	112	24.1	NA	NA	—	18	19	27
118	115	**Grandpa's,** St. Louis	DDS	132	132	0.0	NA	NA	—	9	9	9
119	117	**One Price Clothing Stores,** Spartanburg, S.C.	APP	130	110	18.2	7.1	7.1	0.0	295	365	429
120	63	**Newmark & Lewis,**[14] Hicksville, N.Y.	CE	130	192	(32.3)	NA	NA	—	98	24	0
121	114	**G.I. Joe's,** Wilsonville, Ore.	DDS	129	133	(3.0)	NA	NA	—	14	14	14
122	139	**50-Off Stores,** San Antonio, Texas	APP	128	77	66.2	9.8	4.2	133.3	46	66	96
123	—	**Everything's A $1,** Milwaukee	CLOSE	128	59	115.3	12.7	4.7	168.5	105	207	407
124	119	**Tuesday Morning,**[15] Dallas	CLOSE	123	107	14.5	8.1	7.2	12.5	138	150	175
125	109	**Stuarts,**[16] Franklin, Mass.	DDS	119	148	(19.6)	0.2	(1.5)	(110.7)	20	2	21
126	124	**Twin Valu,**[17] Minneapolis	HYPER	110	100	10.0	NA	NA	—	2	2	2
127	101	**Harts,** Columbus, Ohio	DDS	110	175	(37.1)	NA	NA	—	31	20	17
128	118	**Arvey Paper & Office Products,** Chicago, Ill.	OFFICE	110	110	0.0	NA	NA	—	40	40	40
129	131	**Modell's Sporting Goods,** East Meadow, N.Y.	SPORT	108	91	18.7	NA	NA	—	36	39	40
130	135	**Toy Liquidators,** Milwaukee	TOY	108	81	32.6	8.7	7.5	15.9	96	111	136

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[1] WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss stores.
[2] Syms: Earnings represent net income.
[3] Nationwise: Includes 30 Guarantee Auto stores.
[4] Lionel Kiddie City: Currently in Chap. 11.
[5] Super Kmart Center: Includes 3 American Fares.
[6] IKEA: Store count reflects acquisition of STOR in Dec. '91.
[7] Sports Authority: 1990 sales are for 11 months only.
[8] ALCO: Filed for Chapter 11 in 1990. Emerged in 1991.
[9] Rex: Formerly listed as Audio-Video Affiliates.
[10] PACCAR: Includes General Automotive, Grand Auto and Al's Auto Supply chains.
[11] Hi/Lo: Went public in 1991.
[12] Gibson's Discount Centers: Changed name to Gibson's from Chaffin in Jan. '92.
[13] OW Office Warehouse: Earnings are net income; purchased by OfficeMax in June '92.
[14] Newmark & Lewis: Liquidated in 1992.
[15] Tuesday Morning: Earnings are net income.
[16] Stuarts: Currently in Chapter 11.
[17] Twin Valu: Store count projection excludes 2 food-only Twin Valu stores slated to open in 1992.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Top 175 Discount Retailers

Rank				Sales (In Millions)		Percent Change	Earnings* (Loss) (In Millions)		Percent Change	Number of Stores		
1991	1990	Chain, Headquarters	Code	1991	1990		1991	1990		1/91	1/92	Proj. 1/93
131	125	**Laneco**, Palmer, Pa.	HYPER	$ 100	$ 100	0.0	NA	NA	—	14	14	15
132	130	**J & R Music World**, Brooklyn, N.Y.	CE	100	95	5.3	NA	NA	—	2	2	2
133	—	**Holiday Mart**, Honolulu, Hawaii	HYPER	100	110	(9.1)	NA	NA	—	3	3	3
134	127	**NBO Stores**, Fair Lawn, N.J.	APP	95	96	(1.0)	NA	NA	—	39	39	39
135	—	**Gem of Hawaii**, Honolulu, Hawaii	DDS	90	85	5.9	NA	NA	—	5	5	5
136	133	**Building #19**, Hingham. Mass.	CLOSE	90	85	5.9	NA	NA	—	10	10	10
137	134	**SportsTown**, Atlanta	SPORT	88	73	20.7	0.9	($6.6)	(114.2)	12	12	17
138	—	**The Fair Co.**, Worcester, Mass.	DDS	86	82	4.9	NA	NA	—	8	7	7
139	123	**Luskin's**, Baltimore	CE	86	90	(4.4)	NA	NA	—	32	32	30
140	137	**Van Leunen's**, Cincinnati	DDS	83	80	3.8	NA	NA	—	7	7	7
141	—	**WORKplace**,[1] Pinellas Park, Fla.	OFFICE	80	60	33.3	NA	NA	—	8	10	0
142	—	**Wholesale Depot**, Natick, Mass.	CLUB	80	50	60.0	NA	NA	—	3	4	7
143	138	**Polk Brothers.**,[2] Melrose Park, Ill.	DDS	80	80	0.0	NA	NA	—	5	5	5
144	140	**Dahlkemper's**,[3] Erie, Pa.	CAT	80	80	0.0	NA	NA	—	8	11	9
145	132	**Carrefour**, Philadelphia	HYPER	80	84	(4.8)	NA	NA	—	1	1	2
146	145	**S&K Famous Brands**,[4] Richmond, Va.	APP	75	67	11.9	2.8	2.9	(3.4)	101	122	142
147	148	**Odd Job Trading**, New York, N.Y.	CLOSE	75	65	15.4	NA	NA	—	18	20	23
148	143	**Evans**, Rockville, Md.	CAT	75	70	7.1	NA	NA	—	12	12	12
149	—	**Goldblatt's**, Chicago, Ill.	DDS	71	59	20.3	2.0	1.3	53.8	12	12	14
150	—	**Dollar Tree Stores**,[5] Norfolk, Va.	CLOSE	71	53	34.0	NA	NA	—	130	186	260
151	121	**The Present Co.**,[6] Rochester, N.Y.	CAT	70	102	(31.4)	NA	NA	—	24	0	0
152	—	**Sugarman's**, Eynon, Pa.	DDS	70	70	0.0	NA	NA	—	3	3	3
153	96	**Click**, Akron, Ohio	HYPER	70	60	16.7	NA	NA	—	9	10	11
154	147	**Apex**, Pawtucket, R.I.	DDS	65	70	(7.1)	NA	NA	—	3	3	3
155	149	**Witmark**, Grand Rapids, Mich.	CAT	64	61	4.9	NA	NA	—	9	10	10
156	—	**Linens Supermarket**, Fort Lauderdale, Fla.	HOME	63	57	9.6	NA	NA	—	65	65	65
157	—	**Leedmark**,[7] Glen Burnie, Md.	HYPER	60	0	—	NA	0.0	—	0	1	1
158	129	**Fred Schmid**,[8] Denver	CE	60	95	(36.8)	NA	NA	—	20	0	0
159	—	**Bargain Town**, Montgomery, Ala.	DOLLAR	59	59	0.0	NA	NA	—	67	67	67
160	—	**Giant Family Center**, Mount Pleasant, Mich.	HYPER	55	55	0.0	NA	NA	—	13	13	13
161	—	**Office America**, Richmond, Va.	OFFICE	53	40	33.0	NA	NA	—	14	19	24
162	144	**K & K Toys**,[9] Norfolk, Va.	TOY	50	68	(26.5)	NA	NA	—	136	0	0
163	—	**Bud's Warehouse Outlets**, Bentonville, Ark.	CLOSE	50	10	400.0	NA	NA	—	4	21	40
164	141	**Auchan**, Woodridge, Ill.	HYPER	50	55	(9.1)	NA	NA	—	1	1	1
165	—	**Magic Mart**, Bluefield, Va.	DDS	50	45	10.0	NA	NA	—	16	16	16
166	—	**Sterling Jewelry**,[10] Dallas	CAT	45	50	(10.0)	NA	NA	—	5	4	2
167	—	**Curtains & Home**, Plainview, N.Y.	HOME	44	44	0.0	NA	NA	—	40	40	40
168	128	**W. Bell**,[11] Rockville, Md.	CAT	40	75	(46.7)	NA	NA	—	8	0	0
169	—	**E.H. Tepe Co.**,[12] South Bend, Ind.	CAT	39	39	0.0	NA	NA	—	10	0	0
170	—	**Goldbro**, Birmingham, Ala.	CAT	38	36	5.6	NA	NA	—	8	9	9
171	—	**U.S. Merchandise**, Cleveland, Ohio	CAT	35	24	45.8	NA	NA	—	6	9	9
172	—	**Playtogs**, Middletown, N.Y.	DDS	35	30	16.7	NA	NA	—	1	1	1
173	—	**Holiday Plus**, Minneapolis	DDS	35	35	0.0	NA	NA	—	4	4	4
174	—	**Brand Name Sales**, Tonawanda, N.Y.	CAT	35	32	9.4	NA	NA	—	15	15	15
175	—	**Fred B. Gattas**,[13] Memphis, Tenn.	CAT	30	28	7.1	NA	NA	—	6	6	7
176	—	**Foland's**,[14] Livonia, Mich.	CAT	30	40	(25.0)	NA	NA	—	6	6	0
		Top 10 Totals:		**$120,252**	**$105,166**	**14.3%**	—	—	—	**6,206**	**6,607**	**7,037**
		Top 25 Totals:		**$153,251**	**$136,814**	**12.0%**	—	—	—	**9,359**	**9,767**	**10,335**
		Top 50 Totals:		**$175,199**	**$156,937**	**11.6%**	—	—	—	**18,041**	**19,128**	**20,261**
		Top 100 Totals:		**$192,186**	**$172,829**	**11.2%**	—	—	—	**24,344**	**25,747**	**27,293**
		Top 150 Totals:		**$198,224**	**$178,417**	**11.1%**	—	—	—	**26,237**	**27,875**	**29,862**
		Top 175 Totals:		**$199,518**	**$179,697**	**11.0%**	—	—	—	**26,730**	**28,198**	**30,203**

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—: Not ranked in previous year

[1] WORKplace: Acquired by Staples in 1992.
[2] Polk Bros.: Announced plans to liquidate in 1992.
[3] Dahlkemper's: Store count includes 2 jewelry specialty stores.
[4] S&K Famous Brands: Earnings are net income.
[5] Dollar Tree Stores: Operates as Only a $1 and Dollar Tree Stores.
[6] The Present Co.: Liquidated by Dec. '91.
[7] Leedmark: Open for 6 months of 1991.
[8] Fred Schmid: Bought by Fretter in Oct. '91.
[9] K & K Toys: Acquired by Melville's Kay-Bee chain in Oct. '91.
[10] Sterling: Dropped catalog and now sells only jewelry and giftware.
[11] W. Bell: Liquidated in late 1991.
[12] E.H. Tepe: Liquidated in late 1991.
[13] Fred B. Gattas: Sales and store count include 1 specialty jewelry store.
[14] Foland's: Filed for Chap. 11 in Feb. '92.

Source: DSN research

STATISTICAL ISSUES

PART I:
State of the Industry Report: Chain Analysis

PART II:
State of the Industry Report: Merchandising Productivity Analysis

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Top Full-Line Discount Stores

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Wal-Mart[1], Bentonville, Ark.	$31,667	$25,496	24.2%	1,573	1,720	1,880	75
Kmart[2], Troy, Mich.	24,749	24,144	2.5	2,205	2,249	2,308	80
Target, Minneapolis	9,041	8,175	10.6	420	463	508	102
Ames[3], Rocky Hill, Conn.	2,819	3,109	(9.3)	455	371	371	57
Caldor, Norwalk, Conn.	1,868	1,766	5.8	122	128	136	95
Bradlees, Braintree, Mass.	1,772	1,772	0.0	130	129	127	71
Hills[4], Canton, Mass.	1,680	2,140	(21.5)	214	154	154	67
ShopKo, Green Bay, Wis.	1,648	1,521	8.3	104	109	111	71
Venture, O'Fallon, Mo.	1,522	1,421	7.1	79	84	93	76
Rose's, Henderson, N.C.	1,423	1,525	(6.7)	256	232	217	43
Jamesway, Secaucus, N.J.	855	897	(4.7)	134	122	122	58
Fedco, Santa Fe Springs, Calif.	690	701	(1.6)	9	9	9	115
Smitty's, Phoenix	678	755	(10.2)	21	21	21	110
Lechmere, Woburn, Mass.	670	627	6.9	18	20	23	78
Pamida, Omaha, Neb.	638	665	(4.1)	177	178	186	35
Value City[5], Columbus, Ohio	586	538	9.0	53	56	75	82
Alexander's[6], New York	430	460	(6.5)	11	11	0	NA
Clover, Philadelphia	430	380	13.2	23	24	25	70
Fishers Big Wheel, New Castle, Pa.	409	450	(9.1)	93	84	84	45
Pic 'N Save, Jacksonville, Fla.	373	400	(6.8)	39	36	36	70
Bi-Mart, Eugene, Ore.	325	315	3.2	43	42	42	30
Ann & Hope, Cumberland, R.I.	285	290	(1.7)	6	6	6	200
Rich's, Salem, Mass.	260	235	10.6	24	26	28	64
ALCO[7], Abilene, Kan.	211	220	(4.1)	100	104	111	22
Quality Stores, N. Muskegon, Mich.	199	195	2.1	60	61	61	30
Jack's, Quincy, Ill.	185	167	10.8	14	16	17	60
GB Stores, Johnstown, Pa.	167	160	4.4	35	35	31	45
Swallen's, Cincinnati	162	160	1.3	9	9	9	140
Prange Way, De Pere, Wis.	156	180	(13.3)	24	24	24	50
Gibson's Discount Centers[8], Dodge City, Kan.	150	135	11.1	32	30	32	31
The Andersons, Maumee, Ohio	140	136	2.9	6	6	6	98
Grandpa's, St. Louis	132	132	0.0	9	9	9	65
G.I. Joe's, Wilsonville, Ore.	129	133	(3.0)	14	14	14	55
Stuarts[9], Franklin, Mass.	119	148	(19.6)	20	2	21	60
Harts, Columbus, Ohio	110	175	(37.1)	31	20	17	60
Gem of Hawaii, Honolulu	90	85	5.9	5	5	5	80
The Fair Co., Worcester, Mass.	86	82	4.9	8	7	7	180
Van Leunen's, Cincinnati	83	80	3.8	7	7	7	100
Polk Brothers[10], Melrose Park, Ill.	80	80	0.0	5	5	0	30
Goldblatt's, Chicago	71	59	20.3	12	12	14	50
Sugarman's, Eynon, Pa.	70	70	0.0	3	3	3	80
Apex, Pawtucket, R.I.	65	70	(7.1)	3	3	3	145
Magic Mart, Bluefield, Va.	50	45	10.0	16	16	16	35
Holiday Plus, Minneapolis	35	35	0.0	4	4	4	100
Playtogs, Middletown, N.Y.	35	30	16.7	1	1	1	170
Shoppers World, Oak Park, Mich.	27	27	0.0	8	8	9	95
L.A. Joe's, Nitro, W.Va.	25	171	(85.4)	71	0	0	60
Silverman's, Cleveland	25	25	0.0	8	8	8	25
Val Discount Center, New Castle, Ind.	24	24	0.0	14	14	14	20
Total:	$87,444	$80,606	8.5%	6,728	6,697	7,005	—

[1] Wal-Mart: Sales are for discount stores only; earnings are consolidated operating income before taxes for total corporation.

[2] Kmart: Sales are U.S. Kmart stores only, excluding Super Kmart Center/American Fare and including 49% of Meldisco footwear departments.

[3] Ames: Sales for '91 include 77 closed stores only through Sept. '91; sales for '90 includes 234 stores (221 thru April '90) closed last year and not included in '91 results after Sept. '91. Currently in Chapter 11.

[4] Hills: In Chapter 11

[5] Value City: Figures for fiscal year ended in March.

[6] Alexander's: Results are for fiscal year ended in July. Company currently liquidating.

[7] ALCO: Filed for Chapter 11 in 1990. Emerged in 1991.

[8] Gibson's Discount Centers: Changed name to Gibson's from Chaffin in Jan. '92.

[9] Stuarts: Currently in Chapter 11.

[10] Polk Bros.: Announced plans to liquidate in 1992.

( )—Decline

NA—Not available or not applicable.

Source: DSN research

Productivity Gains, Wal-Mart's Growth Propel Top Discounters

Surging ahead as if it were a runaway locomotive, Wal-Mart discount stores broke the $30 billion sales mark in 1991, creating nearly a $7 billion gap between itself and No. 2 Kmart.

Just a year ago, Wal-Mart and Kmart were nearly neck-and-neck, with Wal-Mart ahead by a little more than $400 million. That marked the first time in some two decades that Kmart was displaced as the leading discount department store chain in the country, a position it is unlikely to see again.

Fueling Wal-Mart's dominance in the discount store arena is its productivity. Recording sales per square foot of $279 in 1991, Wal-Mart's productivity outstrips that of second place Kmart by $93 per square foot. And Kmart's $186 sales per square foot figure was down in 1991 by $4 per square foot from 1989.

All this translated into a 24.2% sales gain at Wal-Mart discount department stores last year—the highest in the industry—and a 2.5% sales increase at Kmart.

The No. 3 chain, Target, with $9 billion in sales in 1991 (and largely unchallenged by No. 4 Ames' $2.8 billion in sales) took it on the chin last year, reporting a profit decline of 2.5%. Sales per square foot at Target in 1991, totaled $205, $19 per square foot better than Kmart.

Kmart, however, remains the largest chain by store count, closing the year with 2,249 units averaging 80,000 sq. ft. compared to Wal-Mart's 1,720 stores averaging 75,000 sq. ft. But with Wal-Mart's store opening schedule, fueled by its assault on the Northeast and California, even Kmart's tenuous position as the store count leader may be in jeopardy before too long.

Wal-Mart's steller performance in 1991 and industry dominance is further enhanced when the chain's financials are compared to the whole industry.

For example, Wal-Mart's annual sales grew by roughly $6 billion last year, slightly less than the industry's total sales growth for the year. Therefore, nearly all the industry's 8.5% sales increase can be attributed to Wal-Mart.

With Wal-Mart's sales factored out of both 1990 and 1991 industry sales, discount stores recorded a mere $667 million increase, or a gain of 1.2%.

While definitely a headline grabber, Wal-Mart's sales and earnings—nearly $2.6 billion for the entire company—tells only part of the industry's story for 1991.

Even with a national recession, the 49 largest discount department store chains recorded an 8.5% sales increase for the year on a net 31 fewer stores, meaning sales productivity, on both a per store and per square foot basis, improved last year. While many areas of the nation remain mired in recession or in the midst of a very slow recovery, a net gain in store count—a mere 13 stores—is projected for the leading discount department store chains by the end of 1992.

Although a number of discount department store chains filed Chapter 11 bankruptcy petitions or closed shop, others, such as ShopKo and Venture, found that scrupulous attention to detail and a well thought out plan of attack were winning combinations in 1991. Their new store prototypes are models for the discount industry.

Overall, of 49 chains identified by *DSN* as discount department stores with sales exceeding $24 million, 23 reported sales increases for 1991. Eight chains had flat sales in '91, and 18 chains experienced a sales decline. Of those 18 chains, seven were in Chapter 11 during part or all of 1991 or are in bankruptcy now.

For example, Ames, Hills and Stuart's filed for bankruptcy protection from creditors in 1991 and remain in reorganization. ALCO emerged from Chapter 11 in May 1991. Alexander's filed for bankruptcy protection this past spring and has nearly finished liquidating its inventory. Polk Brothers suddenly closed up shop a few weeks ago.

Despite the bankruptcies or because of them, Ames, Hills and Stuart's all have developed store prototypes or refined product mix and store layouts to distinguish themselves in their markets and better equip them to sustain the onslaught of Wal-Mart and a revitalized Kmart.

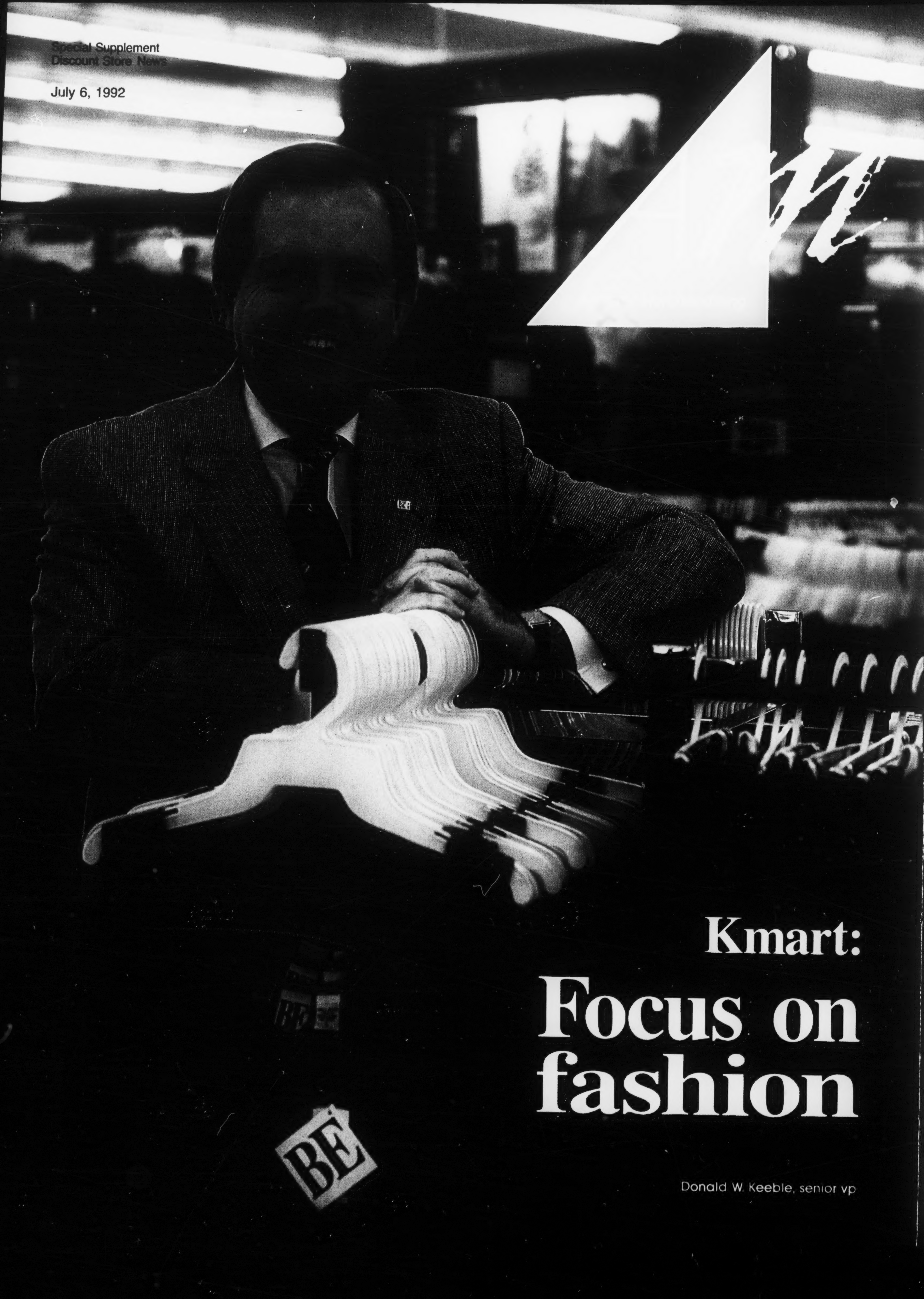
Also working on a similar program to keep Wal-Mart at bay are Caldor and Bradlees, which is attempting to go public this year. Both are working on rolling out new prototypes, following the model of ShopKo and Venture, which are registering successes with their new prototypes.

Of the retail chains that recorded sales increases, the largest, after Wal-Mart, was

(Continued on page 108)

Special Supplement
Discount Store News

July 6, 1992



Kmart:
Focus on fashion

Donald W. Keeble, senior vp

Retailers vie for position

The discount apparel market has never been more challenging. Even as mass merchants continue to capture share of total clothing sales, the competition among the players becomes increasingly rigorous.

With combined apparel sales of about $15 billion, Kmart and Wal-Mart are in a class by themselves when it comes to moving merchandise.

Kmart remains No. 1 in terms of volume, but Wal-Mart is nipping at its heels. If the Bentonville giant continues to post double-digit apparel growth rates, it could seize the top spot from Kmart by this time next year.

Kmart is attempting to fend off Wal-Mart with a number of merchandising and marketing weapons. Foremost in Kmart's armory is its new private label B.E. line of casualwear. The collection of colorful basics has Gap-like appeal, but is significantly lower priced than merchandise at the specialty store. Jaclyn Smith remains a mainstay.

Wal-Mart continues to expand its apparel reach utilizing a combination of brand names—including distribution of certain merchandise from White Stag on an exclusive basis—and everyday low prices. This strategy has consumers filling their carts with clothing and other retailers climbing the walls.

Target, a distant third place in the apparel race, continues to play the role of producer with a strategy that relies heavily on category-spanning private labels.

Regional discounters are attempting to defend against Wal-Mart's full-court press with a variety of defenses meant to make their stores distinctive in the market. These postures include new store designs with flexible layouts, partnering with brands that aren't heavy Wal-Mart suppliers, new private label development and opportunistic purchases of department and specialty store brands.

Off-price apparel stores are also fighting aggressively for market share. Marshalls, the long time leader in the category, is being seriously challenged by second place contender T.J. Maxx.

The difference in sales between the two operations dropped to less than $200 million during the 1991 selling season. It will be interesting to see how the efforts of its new president Warren Feldberg, who is credited with much of Target's apparel success, effects Marshall's bottom line.

T.J. Maxx's solid performance for the year is a needed boost for TJX Cos., which is still fighting off the losses of Hit or Miss, which will close 75 weak locations in 1992.

Top 10 Discounters*

Rank	Company	1991 Sales ($ in millions)	Apparel Sales ($ in million)	Number of Stores 1/92	Average Size	Comment
1	Wal-Mart	$31,667	$7,125	1,720	75,000	If the company's growth path continues, it could catch Kmart in apparel by year's end.
2	Kmart	24,749	8,167	2,249	80,000	Focusing on apparel. Introduced B.E. private label.
3	Target	9,041	2,984	463	102,000	The jury is still out on their strong private label position.
4	Ames	2,819	1,127	371	57,000	Will new specialty-oriented prototype be company salvo?
5	Caldor	1,868	523	128	95,000	If in-store merchandising was as good as assortments, could be an apparel power-house.
6	Bradlees	1,772	727	129	71,000	This strong regional is spinning off from parent Stop & Shop.
7	Hills	1,680	840	154	67,000	Struggling in chapter 11 proceedings.
8	Shopko	1,648	412	109	71,000	Apparel destined to play a greater role in store's future.
9	Venture	1,522	609	184	76,000	Jockeying to maintain their lead position in their home markets; trying Texas expansion.
10	Rose's	1,423	413	232	43,000	New executive team attempting to revive the operation.

*Does not include hypermarts or food-oriented operations.
Source: *Apparel Merchandising/DSN*

Top 10 Off-Pricers

Rank	Company	1991 Sales ($ in millions)	Number of Stores 1/92	Average Size	Comment
1	Marshalls	$2,358	411	27,000	Don of designer discounting, Warren Feldberg, joins as president.
2	T.J. Maxx	2,180	437	28,000	Expands in Long Island, N.Y.
3	Burlington Coat	966	171	55,000	Family-run operation should pass the billion dollar mark next year.
4	Ross Stores	930	203	24,000	Expanding base in the East.
5	Kids 'R' Us	655	189	21,000	Continues to hold its own, but the competition's heating up.
6	Filene's Basement	465	49	20,000	Entered Chicago market this year.
7	Loehmann's	389	83	13,000	Ex-Macy's exec, Robert Friedman, joins as president.
8	Hit or Miss	377	576	4,000	More misses than hits.
9	Goody's Family Clothing	362	106	19,000	Went public with its denim-skewed strategy.
10	Dress Barn	325	462	4,000	Sales growth through new stores.

Source: *Apparel Merchandising/DSN*

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Top Warehouse Clubs Vie for Consumer Loyalty

Explosive growth continues to be the only apt description for the membership warehouse industry's sales and club count trend.

Industry volume this year is projected to grow by over $7 billion, a 29% increase, and reach $35 billion, while the number of clubs is expected to hit 738 stores, a 20% gain. The jump in sales will reflect more than just the increased number of stores; it's also due to the industrywide addition of departments like scratch bakery, fresh meat and produce and pizza shops, as well as optical and prescription services.

The clubs are finding and exploiting more ways to provide goods and services to members to increase the number of shopping trips and the amount spent during each visit.

This year's growth will come on the heels of impressive gains in 1991, when overall industry volume jumped almost 35% as the top five companies recorded hikes ranging from a low of 25% for the Price Club to almost 59% for Pace Membership Warehouse.

The sales increase last year outpaced the 20% rise in stores. This maintains the long-standing trend whereby the rapid maturing of clubs—average per unit volume reaches $45 million to $50 million within 12 to 18 months—accelerates sales at a faster rate than companies are able to open stores.

Sam's Club, a division of the nation's largest retailer, Wal-Mart Stores, remains the industry's leader in sales and stores. It's poised to widen its lead in 1992 by opening 48 more clubs to go to 248 stores, more than double that of the next largest (in units) chain, and pass $13 billion in volume, or about one-third of the industry's overall revenues.

Just as important, this year Sam's Club will expand into California, New Mexico, Idaho, New Hampshire and Puerto Rico for the first time while broadening its presence in the Northeast and in Mexico, where it unveiled two Club Aurreras last year in a joint venture with Cifra, N.A., the largest Mexican retailer.

The Price Club and Costco Wholesale continue to vie for the No. 2 spot as each follows a more measured growth program that includes more clubs in Canada—the two are the only membership warehouses presently in that country—while firming up current markets in the face of Sam's Club expansion. Price Club followed Sam's Club into Mexico earlier this year with its initial Price Club de Mexico, a joint venture with Commercial Mexicana.

Pace Membership Warehouse, fueled by its parent Kmart, plans to step up its growth by opening over two dozen clubs, including augmenting its battle with Sam's Club in such markets as Dallas, Chicago, St. Louis and the Northeast.

BJ's Wholesale Club, a division of Waban Inc., is focusing its growth on strengthening its presence in the Northeast, its home base, to meet the growing competition from the other four major clubs.

While the top five clubs last year accounted for over 96% of the industry's volume and more than 78% of the stores, other companies have either staked out niche markets or plan to enter the business.

Smart & Final, for example, uses a warehouse format for its food and sundries operation, but doesn't have any membership requirement.

Top Membership Warehouse Clubs

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Sam's Club Bentonville, Ark.	$ 9,430	$ 6,579	43.3%	148	208	248	100
Price Club[1] San Diego	6,598	5,286	24.8	66	77	91	116
Costco[2] Kirkland, Wash.	5,216	4,060	28.5	69	82	100	118
Pace Englewood, Colo.	3,646	2,295	58.9	78	87	115	107
BJ's Wholesale Club[3] Natick, Mass.	1,432	1,150	24.5	27	29	39	100
Smart & Final Santa Barbara, Calif.	663	564	17.6	111	116	128	13
Warehouse Club Skokie, Ill.	242	260	(6.9)	10	10	10	100
Wholesale Depot Natick, Mass.	80	50	60.0	3	4	7	60
Total:	$27,307	$20,244	34.9%	512	613	738	—

[1] Price Club: Sales include 12 Canadian clubs, but excludes membership fees of $142 million in '91 and $114 million in '90.

[2] Costco: Sales include 10 Canadian clubs, but excludes membership fees of $87.9 million in '91 and $73 million in '90.

[3] BJ's Wholesale Club: Results exclude costs of closing 4 clubs in Chicago.

(   )—Decline

Source: *DSN* research

Catalog Showrooms Lose Their Bind on Customer Base

The catalog showroom industry continued to be racked by unwanted consolidation as five chains closed, another shut all but one store and a seventh dropped the use of a book and changed its format to a jewelry and giftware specialty retailer.

The demise of the five chains, along with sales declines for each of the five largest operators, resulted in the industry's overall volume dropping for the second year in a row to about $6.5 billion.

Sales are expected to level off at $6.4 billion this year.

The industry's problems took a major toll on coordinator groups that supply catalogs to most chains, cutting down these companies to just three. Paul Schultz Catalogs and MAI, for the first time, held a joint merchandising show, while MAI and Associated Charter held informal discussions on a possible marriage.

The recession is credited with injuring the industry overall, while other specific factors were responsible for liquidations of the five catalogers.

Poor sales magnified by high debt and the unwillingness of lenders to provide additional support combined to force out W. Bell, The Present Co. and Foland's, while these factors and the desire of the owners of privately held Value House and E.H. Tepe to retire, resulted in the closing of the catalogers.

Service Merchandise, the leading chain, plans to open 17 showrooms this year and test a new concept—a juvenile goods specialty store. It's continuing to enhance its operations through such moves as a database targeted mailing of catalogs, interactive voice technology to handle phone orders, upgrading of its Silent Sam customer-operated in-store stock verification terminals into interactive order terminals.

Best Products, the No. 2 chain that filed Chapter 11 in 1991 and subsequently closed three dozen stores, plans to open its first new showroom in three years. It will follow The Diamond format, an upgraded layout that boosted sales in the Philadelphia market where it was first used late last year. The cataloger expects to file its reorganization plan in September.

L. Luria & Son is working on a new showroom prototype to accelerate its growth that includes expansion outside of Florida within two years.

Brendle's, meanwhile, has dropped out of the MAI group to undertake a three-year reformatting of its business into a jewelry and giftware specialty retailer.

Top Catalog Showroom Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Service Merchandise Nashville, Tenn.	$3,400	$3,435	1.0%	346	359	376	50
Best Products,[1] Richmond, Va.	1,438	1,842	(21.9)	195	160	153	50
Brendles Elkin, N.C.	301	311	(3.2)	57	52	53	48
Consumers Distributing (U.S.) Edison, N.J.	220	246	(10.6)	88	89	91	12
L. Luria & Son. Miami Lakes, Fla.	208	214	(2.7)	54	53	54	26
K's Merchandise Decatur, Ill.	180	180	0.0	12	12	12	75
Dahlkemper's[2] Erie, Pa.	80	80	0.0	8	9	11	55
Evans Rockville, Md.	75	70	7.1	12	12	12	55
The Present Co.[3] Rochester, N.Y.	70	102	(31.4)	24	0	0	NA
Witmark Grand Rapids, Mich.	64	61	4.9	9	10	10	23
Sterling Jewelry[4] Dallas	45	50	(10.0)	5	4	2	46
W. Bell[5] Rockville, Md.	40	75	(46.7)	8	0	0	12
E.H. Tepe Co.[6] South Bend, Ind.	39	39	0.0	10	0	0	45
Total:	$6,160	$6,705	8.1%	828	760	774	—

[1] Best Products: In Chapter 11; results include reorganization expenses.

[2] Dahlkemper's: Store count includes 2 jewelry specialty stores.

[3] The Present Company: Liquidated by Dec. '91.

[4] Sterling Jewelry: Dropped catalog and now sells only jewelry and giftware.

[5] W. Bell: Liquidated in late 1991.

[6] E.H. Tepe: Liquidated in late 1991.

(   )—Decline

NA—Not available or not applicable.
Source: DSN research

Recovering Off-Pricers Try On Profits for Size

An economic recovery is at hand in the off-price apparel business.

Of the top 17 off-price chains, 11 reported double-digit sales increases in 1991, which increased total sales for the category by 11%. Except for Loehmann's, even those chains reporting decreases managed to narrow their losses—an improvement from a year ago when the pangs of recession were felt hardest by many off-pricers.

In 1990, many chains reported increased sales, but admitted decreases in comparable store sales and operating income. In 1991, a modest overall sales increase (11% compared to 1990's 13%) matched modest increases in comp store sales and earnings.

For some, 1991 was an exceptional year. Few could compete with 50-Off Stores, which continued its meteoric rise with a 66% sales increase.

Goody's Family Clothing, which went public earlier this year, had its second year of sales increase above 30%.

The year 1991 was also a good one for Clothestime. In 1990, income before taxes was a mere $170,000 for the Anaheim, Calif., chain. In 1991, it jumped to $10 million.

One Price Clothing, Spartanburg, N.C., also had double digit increases and was aggressive in terms of store openings. During 1991, it opened 70 stores, ending 1991 with 365 units.

Stein Mart, Jacksonville, Fla., which recently filed an IPO, reported a 15% sales increase. This year, Stein Mart was added to the off-price list to better reflect its merchandise mix.

Overall, the top chains maintained their positions from a year ago. Marshalls and T.J. Maxx continue to outpace the others on the list.

T.J. Maxx continued edging toward the top, with a higher sales increase than Marshalls (15% compared to 8%) and more aggressive store openings (45 compared to Marshalls' 25).

In October 1991, Warren Feldberg, credited with working merchandising magic at Target Stores, was named chairman of Marshalls. In industry circles this was seen as a positive answer to some buying and distribution problems that were plaguing the chain.

Because he joined Marshalls late in the year, Feldberg's effect on the retailer will be more evident in next year's results.

T.J. Maxx, was the best retail performer in the TJX Cos. stable. Problems with the Hit or Miss division negatively impacted the parent company's overall performance.

Hit or Miss has taken measures to turn around, closing 75 unprofitable stores. Herb Yalof, a former Macy's executive, was named president of the chain early this year.

Loehmann's posted a 1.8% decrease in sales in 1991. The New York-based chain also reacted with some management reshuffling. It named Robert Friedman, another Macy's executive, president.

The third chain to report negative sales results was NBO, Fair Lawn, N.J. The struggling retailer posted a 1% decrease in sales for 1991, the second year in a row it reported a decline.

Top Off-Price Apparel Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Marshalls Andover, Mass.	$ 2,358	$2,183	8.0%	386	411	428	27
T.J. Maxx Framingham, Mass.	2,180	1,900	14.7	392	437	482	28
Burlington Coat Burlington, N.J.	966	887	8.9	159	171	186	55
Ross Stores Newark, Calif.	930	804	15.7	185	203	223	24
Kids "R" Us Paramus, N.J.	655	580	12.9	164	189	214	21
Filene's Basement Wellesley, Mass.	465	400	16.3	40	49	59	20
Loehmann's Bronx, N.Y.	389	396	(1.8)	77	83	87	13
Hit or Miss Framingham, Mass.	377	387	(2.6)	574	576	501	4
Goody's Family Clothing Knoxville, Tenn.	362	273	32.6	91	106	124	19
Dress Barn Stamford, Conn.	325	284	14.4	462	550	600	4
Syms Secaucus, N.J.	317	314	1.0	27	28	28	40
Clothestime Anaheim, Calif.	259	209	23.9	384	401	476	4
Stein Mart Jacksonville, Fla.	225	195	15.4	40	45	53	38
One Price Clothing Stores Spartanburg, S.C.	130	110	18.2	295	365	429	2
50-Off Stores San Antonio	128	77	66.2	46	66	96	20
NBO Stores Fair Lawn, N.J.	95	96	(1.0)	39	39	39	9
S&K Famous Brands Richmond, Va.	75	67	11.9	101	122	142	4
Total:	$10,236	$9,162	11.7%	3,462	3,841	4,167	—

(   )—Decline

Source: DSN research

Toys Chains, Profits Fall Victim to the Recession

For the second year in a row, toy retailers succumbed to the pressures of the recession.

But 1991's economy claimed victims, not just profits.

Since last year:

- Both Lionel Kiddie City and Child World have filed Chapter 11 bankruptcy petitions, Lionel for the second time;
- Child World closed 80 stores and withdrew from numerous markets and states, leaving it with 71 core stores mostly in the Northeast;
- Melville absorbed the 136-unit K & K Toy chain into its Kay-Bee stores. A year before, the conglomerate acquired 330 Circus World stores from Greenman Brothers;
- Karl's Toys and Tons of Toys, which merged in 1990, closed more than half its stores last year, having suffered depressed sales and earnings related to the Persian Gulf War and the persistent national recession, said company president Joseph Chang.

Toy & Sports Warehouse and Toy King also closed.

Wal-Mart, Kmart and Target have continued to gain market share in toys, focusing attention on prominent toys at everyday low prices. Their advance and the weakening hold of the speciality toy chains have made them a real industry force. Wal-Mart holds about 10% of toy industry sales, estimated Sally Smith, retail analyst with Alex. Brown & Associates, Baltimore.

While profits in 1991 generally lagged behind 1990 at specialty toy chains, the company hit hardest by the harsh economic times and competition seems to be Child World. Prior to filing for bankruptcy protection from its creditors in April 1992, Child World had been trying to secure additional equity investors to satisfy demands by its banks. To shore up its balance sheet, the chain began closing stores and distribution centers last fall, including a Schaumburg, Ill. prototype, just two months after debuting it.

But even its new owner, Avon Investors, which took over for CNC Holdings last June as Child World's parent, couldn't save the retailer.

Competitive battles with Toys "R" Us grabbed headlines in 1991 when Child World accused Toys "R" Us of sending employees to Child World to purchase merchandise and then reselling it.

Top Toy Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Toys "R" Us[1] Rochelle Park, N.J.	$ 4,500	$ 4,180	7.7%	451	497	542	43
Kay-Bee[2] Pittsfield, Mass.	1,018	927	9.8	963	1,270	1,280	4
Child World[3] Avon, Mass.	580	829	(30.1	182	151	71	36
Lionel Kiddie City[4] Edison, N. J.	309	426	(27.6	99	71	71	37
Toy Liquidators Milwaukee	108	81	32.6	96	111	136	6
K & K Toys[5] Norfolk, Va.	50	68	(26.5)	136	0	0	3
Tons of Toys Los Angeles	20	45	(55.6)	52	30	34	7
Total:	$6,584	$6,557	0.4%	1,979	2,130	2,124	—

[1] Toys "R" Us: Figures are for U.S. toy stores only.

[2] Kay-Bee: 1991 figures include acquisition of K&K Toys.

[3] Child World: In Chapter 11.

[4] Lionel Kiddie City: Currently in Chap. 11.

[5] K & K Toys: Acquired by Melville's Kay-Bee chain in Oct. '91.

(   )—Decline

Source: *DSN* Research

Consolidation, More Productive Stores Key in CE

The consumer electronics industry continues to consolidate, with the big growing bigger, the small getting smaller (or going out of business altogether).

In the past year, Newmark & Lewis and Polk Bros. both liquidated, Fred Schmid was purchased by Fretter, and Highland continued to downsize. Best Buy and Circuit City, now the two largest chains in the United States, were the main beneficiaries of the consolidation, but Fretter, Audio-Video Affiliates, now called Rex, and The Wiz all turned in strong years.

The trend is toward bigger, more productive stores. Tops, the New Jersey giant, pioneered the massive store, but BrandsMart USA, Best Buy and most recently Tandy, with its The Incredible Universe concept, have all adapted the bigger is better credo, with stores ranging from 30,000 sq. ft. to 160,000 sq. ft. at The Incredible Universe.

Also, a rapidly growing trend is the re-entry of software into what had become a strictly hardware business. As recently as 10 years ago, most major consumer electronics retailers routinely stocked music software. But the difficulty of managing the category, as well as the expense involved, slowly pushed software out.

Today, however, the emergence of computer software, as well as the soaring popularity of the compact disc and prerecorded video, has caused retailers to re-examine the issue. Best Buy has had major success in the category, particularly in terms of traffic building. The Incredible Universe plans to offer dominant selections in every class of software, and Circuit City is rumored to be looking at adding music in the near future.

Additionally, BrandsMart USA has significantly upgraded its computer software selection and added a buyer dedicated to the category.

While Circuit City, Best Buy and The Good Guys continued their strong growth trend, the year was remarkable for the success of previously fading chains like Audio-Video Affiliates, operator of Rex stores, and Michigan regional Fretter, both of which posted strong gains, as well as Luskin's, which dipped slightly, but seems to have stabilized its business. BrandsMart USA, Tops, and American TV continued strong growth curves as well, and the worst appears to be over for Highland.

Next year, Tandy's The Incredible Universe could leap to the upper reaches of the chart. While only two units have been announced so far (in the Portland, Ore. and Dallas markets), Tandy could open as many as 15 of the mega-

(Continued on page 106)

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Circuit City Richmond, Va.	$2,790	$2,367	17.9%	228	229	229	14
Best Buy Minneapolis	930	665	39.8	56	73	103	30
Silo Philadelphia	900	910	(1.1)	235	235	235	17
Highland Superstores Taylor, Mich.	575	860	(33.1)	92	49	49	
The Good Guys San Francisco	427	294	45.2	26	37	47	15
Tops Appliances[1] Edison, N.J.	400	380	5.3	3	4	5	50
American TV Madison, Wis.	290	260	11.5	8	9	9	80
The Wiz Brooklyn, N.Y.	284	250	13.6	30	37	40	15
Fretter Livonia, Mich.	280	217	29.0	61	82	82	15
Rex[2] Dayton, Ohio	202	164	23.2	90	98	110	NA
BrandsMart USA Miami, Fla.	197	134	47.0	1	3	3	35
Trader Horn Hasbrouck Heights, N.J.	160	160	0.0	18	18	18	15
Newmark & Lewis[3] Hicksville, N.Y.	130	192	(32.3)	98	24	0	14
J & R Music World Brooklyn, N.Y.	100	95	5.3	2	2	2	200
Luskin's Baltimore, Md.	86	90	(4.4)	32	32	30	10
Fred Schmid Denver	60	95	(36.8)	20	0	0	12
Total:	$7,811	$7,133	9.5%	1,000	932	962	—

[1] Tops Appliances: Company currently attempting to go public.

[2] Rex: Formerly listed as Audio-Video Affiliates.

[3] Newmark & Lewis: Liquidated in 1992.

( )—Decline NA—Not available or not applicable.

Source: DSN research

Megastores Threaten 2 Biggest Conventional Operators

As the sporting goods megastore continues to stamp its mark on the decade of the '90s, even more uncertainty besets the two largest operators of conventional sporting goods stores, Herman's and Thrifty.

Herman's has made official what the industry has known for two years: its British holding company owner, Isosceles PLC, has wanted to sell the chain since it acquired it two years ago, along with its previous supermarket parent, Gateway.

With megastores such as Kmart's Sports Authority rolling over the landscape, no investor group has stepped forward to purchase Herman's. The chain cast its lot with conventional size sporting goods stores, following a brief test of its own megastores in the mid-'80s.

And the fate of the three sporting goods chains that Thrifty operates remains undetermined, even though a Los Angeles investor group, Leonard Green & Partners, has agreed to buy the chains at fire sale prices.

In a deal expected to close within 60 days, the group has agreed to buy five of the retail chains that Thrifty operates from its parent, Pacific Enterprises. They include 267 sporting goods units: Big 5, 138; MC Sporting Goods, 76; and Gart Bros., 53.

If the deal goes through, what the investors will do with the chains remains the big question mark. Possibilities include trying to resell the chains, operating them themselves, although they aren't known as retail operators, or scrapping them for their real estate and inventory values.

Including the sporting goods stores, 744 drug stores and 42 discount department stores, Pacific Enterprises dumped all 1,050 retail units of its Thrifty subsidiary for $275 million, or an average of $291,900. It declined to reveal how much each chain fetched.

Thrifty refuses to break out sporting goods sales from its corporate total, but subtraction of drug and discount sales indicates about $590 million left for sporting goods, down a hair from $600 million in 1990. That indication might be generous, since another industry source estimated sales of $485 million in 1990 for the three chains.

Sporting goods sales rose a modest 2.4% in 1991 to $30.3 billion from $29.6 billion in 1990, estimated the National Sporting Goods Association in its annual market survey.

In contrast, sales rose an estimated 12.8% from $2.47 billion in 1991, from $2.16 billion

(Continued on page 106)

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Herman's Carteret, N.J.	$ 600	$ 580	3.4%	250	259	274	10
Thrifty Corp.[1] Los Angeles	590	600	(1.7)	266	267	267	NA
Oshman's Houston	298	318	(6.3)	189	183	174	13
Sportmart Niles, Ill.	250	210	19.0	24	25	31	40
Sports Authority Fort Lauderdale, Fla.	241	105	129.5	19	36	54	38
Academy Houston	160	105	52.4	27	25	30	40
Sports Unlimited Tampa, Fla.	139	112	24.1	18	19	27	40
Modell's Sporting Goods East Meadow, N.Y.	108	91	18.7	36	39	40	15
SportsTown Atlanta	88	73	20.7	12	12	17	50
Total:	$2,474	$2,194	12.8%	841	865	914	—

[1] Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros., sporting goods chains.

( )—Decline NA—Not available or not applicable.

Source: DSN research

Economy Creates Bumpy Road for Auto Chains

As if auto parts retailers didn't have enough to worry about in a recession year, the Los Angeles riots struck hard at two chains, Chief Auto, Dallas, and Trak Auto, Landover, Md.

Chief lost six stores during the riots, and the buildings' landlords will need six to 12 months to rebuild them. Sales for Chief, which essentially were flat in 1991 at about $400 million, will be hurt 1% because of lost business.

Chief employees from surviving stores won plaudits from the Salvation Army for collecting 143 pallet loads of food and clothing to aid riot victims who had their homes burned.

Trak lost 14 units that it dropped from its store count, now down to 317, suggesting indecision about whether they will reopen them.

Thanks in large part to a 21.7% gain at AutoZone, Memphis, which went public last year, and a 13.2% increase at Pep Boys—Manny, Moe & Jack, Philadelphia, sales for the chains rose 7.5% to an estimated $5.73 billion in 1991 from about $5.33 billion the previous year.

On the losing side, Northern Automotive continued to weed out money-losing units purchased during its 1988 acquisition binge, reducing store count to 721 from a 1989 high of about 850. And PACCAR Automotive (formerly General Automotive), continued to close losers in its Grand Auto chain, including all eight units in the Los Angeles market.

Any expansion of PACCAR Automotive, the auto parts division of PACCAR, a heavy truck manufacturer, is coming from its Al's Auto Supply chain, which now accounts for about 40 of its 130 total units.

The automotives parts warehouse concept took a hit last fall when Auto Giant and Auto Depot, two start-up chains of entrepreneur Robert J. McNulty, both declared Chapter 11 bankruptcy. Auto Depot has closed its single warehouse unit in Sacramento, Calif., so is basically out of business, while Auto Giant closed one of three stores. It still hangs on in San Bernardino, Calif., and Las Vegas.

On the other hand, Auto Source, Indianapolis, the warehouse-size chain of Canadian Tire, Toronto, has opened its fourth unit of about 47,000 sq. ft. in Cincinatti and is building two more outlets for a total of six. The other two it will open this year are in Louisville, Ky., and Columbus, Ohio.

The warehouse concept also got an endorsement, of sorts, from Pep Boys, which joined the billion dollar sales club in 1991. For its new prototype, Pep Boys adopted last year a cost-cutting warehouse look for its conventional size store of 22,500 sq. ft. The new warehouse look consists of untiled concrete floors, an unfinished ceiling and warehouse racking intended to give Pep Boys more of a discounter image.

The next step that Pep Boys may take is to try to compete with the warehouse clubs by offering case lot, or even pallet load discounts for automotive oils and chemicals.

Western Auto, a subsidiary of Sears, continues to crank out 40 to 50 more stores a year, including units of its Tire America and NTW tire divisions. And Western Auto's new franchise operation, Auto America, is shifting into high

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Top Automotive Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Western Auto[1] Kansas City, Mo.	$1,425	$1,300	9.6%	504	548	600	11
Pep Boys Philadelphia	1,002	885	13.2	313	337	367	23
AutoZone[2] Memphis, Tenn.	818	672	21.7	598	678	718	6
Northern Automotive[3] Phoenix	725	800	(9.4)	816	721	721	6
Chief Auto Parts Dallas	400	400	0.0	518	525	525	4
WSR Group[4] Chicago	375	320	17.2	299	326	350	7
Trak Auto Landover, Md.	320	293	9.1	331	333	335	5
Nationwise[5] Columbus, Ohio	315	290	8.6	270	289	289	9
PACCAR[6] Renton, Wash.	195	226	(13.7)	139	130	140	6
Hi/Lo Automotives[7] Houston	156	143	9.3	107	114	130	9
Total:	$5,730	$5,329	7.5%	3,895	4,001	4,175	—

[1] Western Auto: Includes company-owned Western Auto stores (375), 101 Tire America stores and 74 NTW tire stores.

[2] AutoZone: Figures for fiscal year ended in August.

[3] Northern Automotive: Includes Schuck's, Checker, Kragen, and Autoworks chains; sold 50-unit Crown Auto chain to Champion.

[4] WSR Group: Includes Whitlock Auto, Rose Auto Supplv and R&S Strauss stores.

[5] Nationwise: Includes 30 Guarantee Auto stores.

[6] PACCAR: Includes General Automotive, Grand Auto and Al's Auto Supply chains.

[7] Hi/Lo: Went public in 1991.

( )—Decline

Source: DSN research

Home Decor Chains Cop Consumer Spending Boom

While the home store specialty segment is among the smallest in dollar volume (and the newest category in *DSN*'s specialty retail chart coverage), it is also one of the fastest growing.

IKEA, with just over a quarter of a billion dollars in sales, is the largest chain in the category, and is one of the fastest growing retailers in the United States.

But it is not alone. Both the revitalized Lechters and aggressive soft home off-pricer Bed Bath & Beyond grew about 25% last year, and other category leaders also showed strong growth trends, despite recessionary conditions that generally created havoc in the textile industries.

IKEA, of course, greatly accelerated its expansion through major U.S. markets by purchasing competitor STOR and taking on both New York and Los Angeles with so much success that it was forced to buy a full page in New York metro newspapers to apologize to area shoppers for frequent out-of-stocks due to demand nearly three times projections.

Lechters, which had been nearly stagnant over the past few years, expanded rapidly in 1991, and added a new, upscale format to its primarily basic mall store base. With over 500 locations projected by year-end, the expansion should continue through 1992 as well, and the chain could conceivably pass IKEA, which plans only one store opening this year.

Bed Bath & Beyond, which is in the process of going public, could also jump a place in the top 10 this year, as its recession-muted sales pick up and its debt-free balance sheet allows it the freedom to expand. Its latest prototypes, in major outlet malls across the country, has led to bigger, more productive stores, and the chain's single-minded adherence to everyday low pricing, even while competitors promoted heavily, has created intense customer loyalty.

Linens 'n Things, the Melville Corp. subsidiary, and Waccamaw both reported basically flat years, but both are testing new prototypes and may spend the next year or two retrofitting older, less competitive stores, which will position them both for future growth.

Overall, this category has demographics in its favor. Americans are more than ever home- and value-oriented. IKEA has been a stunning success here because of its outstanding value, and other major players, like Bed Bath & Beyond and Waccamaw have established reputations for quality, innovative products and value.

As consumers build the "headquarters" vision of home, the place around which they order their lives, Americans can be expected to devote considerable and increasing resources to the home and its furnishings. And that, in turn, should make this category a strong growth area through the 1990s.

Top Home Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
IKEA N.A.[1] Plymouth Meeting, Pa.	$ 284	$169	68.0%	6	10	11	200
Lechters, Inc. Harrison, N.J.	234	188	24.5	364	438	528	3
Linens 'n Things Clifton, N.J.	221	202	9.4	141	143	151	9
Bed, Bath & Beyond Springfield, N.J.	168	135	24.1	27	34	44	44
Waccamaw Corp. Myrtle Beach, S.C.	166	155	7.1	24	29	29	85
Linens Supermarket Fort Lauderdale, Fla.	63	57	9.6	65	65	65	NA
Curtains & Home Plainview, N.Y.	44	44	0.0	40	40	40	20
Cargo Express Hudson, Ohio	22	19	15.8	31	29	44	12
Total:	$1,201	$969	24.0%	698	788	912	—

[1] IKEA: Store count reflects acquisition of STOR in Dec. '91.

( )—Decline

NA—Not available or not applicable.
Source: DSN research

Wal-Mart Coming Up Fast in SuperCenter Derby

Wal-Mart is poised to do to the supercenter/hypermarket industry what it did to the general merchandise discount business: first become the dominant player and then pull away from the rest of the field.

The big difference is that it will likely take Wal-Mart SuperCenters only four years to lead the field, rather than the almost three decades it took Wal-Mart to become the No. 1 discounter.

The supercenter/hypermarket industry's volume grew 15% last year and is projected to jump about 18% this year and approach $10 billion.

Again leading the charge are Meijer and Fred Meyer, which are maintaining their measured regional growth, the former in the Michigan-Ohio area and the latter in California and the Northwest. While both are billion dollar retailers, neither has exhibited any interest in multiregional, much less, national expansion.

Nor for that matter has such an interest been shown by any of the other combo chains that comprise the industry, most of which operate an average of a dozen stores in one or two states and a few running one to three units in a single metro market.

The exceptions are Wal-Mart SuperCenter and Super Kmart Center.

Kmart is still searching for the right supercenter format, having first opened three American Fare hypermarkets as a test and then launched Super Kmart Center as its more definitive attempt to refine its effort. It will add three more Super Kmart Centers this year as it continues to seek the right footage and mix of food and general merchandise for a store that it targets for $50 million in yearly sales.

While Kmart isn't set to roll out its combo stores and multiregional expansion is just a gleam in management's eyes, Wal-Mart is roaring ahead, stepping up its opening schedule this year from the original dozen stores to 15 to 20.

But that doesn't even hint at Wal-Mart's sophisticated underpinning for the Wal-Mart SuperCenter venture and its impact or future development.

The discounter's backing for its combo operation involves using the food merchandising and food distribution expertise of two other Wal-Mart divisions, McLane and Phillips, to provide the supermarket marketing knowledge to match the discounter's general merchandise sagacity. This interfacing includes using McLane's distribution background to operate the 700,000-sq.-ft. grocery distribution center due to be opened next year in Clarksville, Ark., that will supply foods to the combo stores.

The Clarksville location means that the initial extensive Wal-Mart SuperCenter roll out will first take place in rural and suburban communities within about a 300 mile radius, followed by a thrust into metro markets.

Wal-Mart is expected to steadily increase the opening pace for the combo stores so that it will have more than 175 units by the end of 1995, at which point the supercenter sales should reach over $8 billion.

Wal-Mart executives have called the combo stores the third leg supporting the diversified retailer's growth. However, this leg, long term, is the company's main growth vehicle as the combo stores are projected as replacements for older Wal-Mart general merchandise units and even as co-anchors with Sam's Club membership warehouses.

Top Supercenter/Hypermarket Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Meijer Grand Rapids, Mich.	$3,500	$3,000	16.7%	57	65	72	200
Fred Meyer Portland, Ore.	2,700	2,400	12.5	97	94	98	175
Wal-Mart SuperCenter[1] Bentonville, Ark.	600	530	13.2	7	10	25	160
Bigg's Milford, Ohio	350	350	0.0	6	6	6	150
Super Kmart Center[2] Troy, Mich.	300	200	50.0	5	6	9	150
Big Bear Plus Columbus, Ohio	190	100	90.0	5	9	12	120
Dahl's Des Moines, Iowa	175	175	0.0	13	13	13	130
Twin Valu Minneapolis	110	100	10.0	2	2	2	180
Holiday Mart Honolulu	100	110	(9.1)	3	3	3	85
Laneco Palmer, Pa.	100	100	0.0	14	14	15	80
Carrefour Philadelphia	80	84	(4.8)	1	1	2	160
Click Akron, Ohio	70	60	16.7	9	10	11	150
Leedmark[3] Glen Burnie, Md.	60	0	—	0	1	1	130
Giant Family Center Mount Pleasant, Mich.	55	55	0.0	13	13	13	55
Auchan Woodridge, Ill.	50	55	(9.1)	1	1	1	230
Total:	$8,440	$7,319	15.3%	233	248	283	—

[1] Wal-Mart SuperCenter: Includes 4 Hypermart USAs.

[2] Super Kmart Center: Includes 3 American Fares.

[3] Leedmark: Open for 6 months of 1991.

( )—Decline

Source: DSN research

Sears, Ward Turnarounds Following Different Pace

The battle to recreate Sears appears to be paying some dividends, at long last.

The company's retail sales dipped slightly last year, but profits improved (although not to historical levels) and the remerchandising of the chain has continued apace.

Sears has concentrated its efforts on cost-reduction (20,000 layoffs) and the incorporation of traffic-building categories like video games, computers and even trading cards to bolster its core businesses like white goods, automotives and tools.

Apparel has not fared as well. Despite the addition of key brands like Levi's Dockers and OshKosh, Sears has never been able to overcome its stodgy image in fashion areas. However, strategies like the addition of upmarket brands of computers are likely to draw what in previous years would have been the Sears core shopper, the middle-class head of household, back into Sears stores. And, Sears hopes, those shoppers will stay long enough to see the new-look apparel departments.

Nevertheless, Sears has a long way to go. Five years ago, its sales of merchandise netted $500 million; last year, that figure had plummeted to $90 million. The merchandising group as a whole is now dominated by the earnings of Sears' formidable credit card operations, which earned $394 million last year.

But no one said turning Sears around would be easy. Management, led by Edward Brennan, was forced to put down an investor revolt at the latest annual meeting, and shareholders tired of waiting for results from the company's now five-year-old restructuring plan. The task has been likened to turning a battleship in a stream, as the unwieldy, highly regimented merchandising structure has resisted change. Old line employees are reportedly disenchanted and demoralized.

With 1991 sales of $5.6 billion, Ward seems to have accomplished what Sears is still struggling with: turning itself from a general merchant to a collection of destination specialty stores.

Its CE concept, Electric Avenue, is an aggressively priced, full-scale business that is highly competitive, in terms of price and selection, with CE superstores like Circuit City and Best Buy. Other specialty businesses, like domestics, women's apparel and automotives, appear to be solidly profitable, and the chain as a whole has turned a solid if unspectacular profit every year since its reformulation.

The only weak point seems to be the company's rapid turnover of top executives, apart from chairman and ceo Bernard Brennan. The latest to go: Gary Vasquez, who was in charge of soft home goods and Phil Garrison, the ex-Silo merchandising manager, who briefly ran Electric Avenue. Both executives were high-profile new hires, and neither one of them lasted a year at Ward, which may indicate some lack of direction in upper management.

Top Specialty Mass Retailers

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Sears[1] Chicago	$19,805	$19,823	(0.1%)	863	868	875	NA
Montgomery Ward Chicago	5,600	5,128	9.2	333	356	370	135
Total:	$25,405	$24,951	1.8%	1,196	1,224	1,245	—

[1] Sears: Sales include U.S. Sears stores only.

( )—Decline

NA—Not available or not applicable.
Source: DSN research

Closeouters Lure Customers by Purse Strings

A hot retailing concept, mall-quality closeout stores that specialize in goods that sell for a dollar, has emerged from the staid closeout industry.

And Wal-Mart is coming.

Dollar volume this year for dollar closeout chains is expected to hit close to the 1991 sales of $543 million for MacFrugal's Bargains—Close-Outs, the nation's second largest closeout chain.

That compares with total closeout sales of $1.83 billion in 1991, a 16.6% gain from $1.57 billion the previous year. Everything's a $1, the largest of the dollar chains, paced the closeout industry with a 115% jump in sales.

During a recession year, value-conscious consumers helped closeout retailers enjoy another banner year, on top of the 12.9% gain in 1990.

Consolidated Stores launched last year its own dollar concept store, called All For One. It retained Retail Planning Associates, Columbus, Ohio, to design an upscale store that is classy enough for Mall of America, the nation's largest mall that features the likes of Nordstrom's.

Dollar Discount Stores, a small chain of franchised, full-line closeout stores based in Philadelphia, is converting some of its 35 stores to one-dollar concept and expects to have about 12 open by year-end.

A merchandising trend that is developing in the dollar closeout chains is the production of goods expressly for the market, such as smaller packages of potato chips or pretzels that sell for a dollar, or two for a dollar.

MacFrugal's, formerly Pic 'N' Save, had to change its name last month to settle a lawsuit brought by Pic 'N' Save, a chain of full-line discount stores based in Jacksonville, Fla. MacFrugal's started using the Pic 'N' Save name in 1956 but failed to register it. The Jacksonville, Fla., discounter began using the name in the '60s and ensured its legal right to the name by registering it. Last year the Florida retailer sued to protect its rights to the name.

Under terms of the settlement, MacFrugal's may continue to use the Pic 'N' Save name for its 60 or so California stores but changed both its corporate name and that of the rest of its 193 stores.

On a positive note, MacFrugal's now is listed to trade on the New York Stock Exchange. Another new name to reckon with is Bud's (the warehouse outlet, not the beer), as in Bud Walton, brother of Sam.

Top Closeout Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Consolidated Stores Columbus, Ohio	$ 753	$ 662	13.7%	337	398	438	25
MacFrugal's[1] Dominquez, Calif.	543	529	2.6	191	193	203	20
Everything's A $1 Milwaukee	128	59	115.3	105	207	407	3
Tuesday Morning Dallas	123	107	14.5	138	150	175	8
Building #19 Hingham. Mass.	90	85	5.9	10	10	10	75
Odd Job Trading New York	75	65	15.4	18	20	23	15
Dollar Tree Stores[2] Norfolk, Va.	71	53	34.0	130	186	260	3
Bud's Warehouse Outlets Bentonville, Ark.	50	10	400.0	4	21	45	50
Total:	$1,832	$1,571	16.6%	933	1,185	1,561	—

[1] MacFrugal's: Formerly called Pic 'N' Save.

[2] Dollar Tree Stores: Operates as Only a $1 and Dollar Tree Stores.

Source: DSN research

Following a two year test, Wal-Mart is getting serious about the closeout business. It began 1991 with four stores, closed out the year with 21 stores and recorded $50 million in sales. Bud's expects to end 1992 with 45 stores.

Bud's recycles old, small Wal-Mart stores and fixtures. "They can't do anything else with the stuff, so they give it to me," Bud Walton told stockholders at Wal-Mart's annual meeting last month.

For this year's first quarter, sales totaled $16.5 million and the division enjoyed a 9.97% profit margin, Walton said, noting, "Bud's is a very, very promising division."

With an average of 50,000 sq. ft., Bud's units rival in size the 75,000-sq.-ft. average of Building #19, which specializes in goods damaged during shipment.

Tuesday Morning, a unique closeout chain that operates only during four peak selling seasons, including Easter and Christmas, is proceeding apace with its expansion plans of operating 250 stores by 1995. Now running 152 units, Tuesday Morning expects to open 23 more for the year, including units in new markets of Milwaukee and Huntsville, Ala.

Top Dollar Store Sales Blossom in Hard Economic Times

The recession of 1991 stimulated sales at one of the only retail channels to flourish in a depressed economy: dollar stores.

While much of the retailing industry was in the doldrums during 1991, the two dominant dollar store chains—Family Dollar and Dollar General—continued to rack up double-digit percentage sales and operating income.

Sales volume surges at these two chains were fueled not only by aggressive store expansion but also comparable store sales gains. Operating profits were strengthened by cost-cutting measures in distribution and inventory levels, and were upped further by sales of high gross margin private label goods, especially at Family Dollar.

Family Dollar's comparable store sales gains for the year were 7.5%, while Dollar General stores were up 11.6% over the previous year. Family Dollar's everyday low price policy, expanded private label program and multizone pricing strategy—coupled with a store format with greater emphasis on apparel—are expected to push this chain over the $1 billion sales level by the end of the fiscal year (Aug. 31, 1992).

Operating profits soared by about 34% at Family Dollar and 50% at Dollar General during these chains' last fiscal year.

Bruce Quinnell, vice president, treasurer and chief financial officer with Dollar General, acknowledged that the challenge facing the dollar stores is to maintain shopper levels once the recession has abated. Quinnell believes that the conspicuous spending of the 1980s has changed in the 1990s; instead of boasting about how much something costs, consumers now are proud of buying for less, making dollar stores increasingly attractive places to shop, he said.

While Family Dollar is based in North Carolina and Dollar General's headquarters is split between Scottsville, Ky. (buying staff) and Nashville, Tenn. (executive staff), both chains have expanded into nearly identical territories: roughly the eastern half of the country. But Family Dollar is reaching up the high-population Northeast coast more quickly with 27 units in New York and its first store in Massachusetts.

Store closings of some of the less profitable units at Bill's Dollar Stores—primarily those with less than 5,000 sq. ft. of selling space—lowered that chain's total sales figure for the year. However, the decision to close stores has delivered profit gains early in 1992. Bill's management expects to rebuild its store base during this year and next, having trimmed away the underperforming units.

Bargain Town, while still operated by Montgomery-based, Enstar Corp. during 1991, was sold this year to Variety Wholesalers, based in Raleigh, N.C. As a result, Variety Wholesalers now operates more than 550 stores under various trade names including Maxway, Allied, Pope/Eagle, Super Dollar, Value Mart and now Bargain Town.

Top Dollar Discount Store Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Family Dollar Charlotte, N.C.	$ 989	$ 874	13.1%	1,680	1,759	1,879	7
Dollar General Scottsville, Ky.	754	653	15.5	1,461	1,522	1,612	6
Bill's Dollar Stores Jackson, Miss.	240	250	(4.0)	555	535	550	6
Bargain Town Montgomery, Ala.	59	59	0.0	67	67	67	12
Total:	$2,042	$1,836	11.2%	3,763	3,883	4,108	—

( )—Decline

Source: DSN Research

***Bill's Dollar Stores**, ranked as the third largest dollar discounter, expects to rebuild its store base through next year.* (DSN photo)

Top Chains Secure Firm Hold on Office Niche

In 1991, the four largest office superstore chains—Office Depot, Staples, BizMart and OfficeMax—moved swiftly to expand their businesses and dominate the markets they serve.

In fact, the top four chains accounted for 86% of the $3 billion in sales rung up by office superstores, up from 82% of $1.9 billion from the previous year.

These four chains increased their share of the total business largely by expanding their store base and through the acquisition of weaker chains.

The top office products chains also strengthened their businesses from within, by diversifying their product mix, especially by adding and upgrading their offerings in computer hardware and software, and adding services.

HUGE SELECTION!
STOCKED TO THE CEILING
WITH SAVINGS ON OVER 5000 ITEMS!

***Staples** plans to expand its style of office supply retailing beyond North America.*

At the same time, the weaker chains, those unable to secure sufficient financing to expand, were steamrolled by the stronger players and wrenched by the faltering national economy.

Falling to the vicissitudes of business and the recession were Super City, Tucson, Ariz.; Action, Indianapolis; Office Stop, San Antonio; and HQ Office Supplies Warehouse, Long Beach, Calif.

In the case of HQ, its 14 stores were acquired by BizMart and Staples by spring 1991. And OP Club, the byproduct of the early 1991 merger between The Office Place and OP Club, is now down to six stores from a high of 40.

The largest acquisition of the period was made by Office Depot, a move that helped push the chain's sales over the $1 billion mark.

In acquiring Office Club, Office Depot gained an important foothold in the California market, one in which Staples was vigorously expanding. Since then Office Depot has worked to solidify its position in California and elsewhere by converting all of the Office Club stores to Office Depot's, a project it completed just two months ago.

OfficeMax, now about to complete its third acquisition, had an active 1991, as well.

Top Office Supply Megastores

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Office Depot[1] Boca Raton, Fla.	$1,301	$ 903	44.1%	228	290	345	22
Staples Newton, Mass.	547	299	83.1	74	123	179	14
BizMart Dallas	493	259	90.3	51	69	99	24
OfficeMax Beachwood, Ohio	245	124	97.6	46	79	180	20
OW Office Warehouse[2] Virginia Beach, Va.	140	80	75.0	23	42	0	23
Arvey Paper & Office Products Chicago	110	110	0.0	40	40	40	17
WORKplace[3] Pinellas Park, Fla.	80	60	33.3	8	10	0	20
Office America Richmond, Va.	53	40	33.0	14	19	24	19
The Paper Cutter Liverpool, N.Y.	29	24	20.8	26	33	37	11
National Office Warehouse Columbus, Ohio	16	16	0.0	2	2	2	90
Total:	$3,014	$1,915	57.4%	512	707	906	—

[1] Office Depot: 1991 results include one-time charge of $8.9 million for acquisition of Office Club chain.

[2] OW Office Warehouse: Earnings are net income; purchased by OfficeMax in June '92.

[3] WORKplace: Acquired by Staples in 1992.

( )—Decline NA—Not available or not applicable.

Source: DSN research

The once-independent chain sold all but 7% of itself to Kmart last year and has now scheduled to complete its purchase of OW Office Warehouse, whose stronghold had been located in the Virginia Beach and the Philadelphia area.

Previous to OW, OfficeMax acquired Office World, formerly headquartered in Great Neck, N.Y., and Office Square, Kmart's initial entry into office products retailing.

Staples, the No. 2 chain, recently completed its acquisition of WORKplace, and upped its stake in Business Depot, a growing chain in Canada.

Staples also is looking to expand its brand of office retailing outside the U.S. and Canada.

Remaining on *DSN*'s top 10 list is Arvey Paper & Office Products, which appears stalled at $110 million in sales. Also appeariing on *DSN's* top 10 list are Office America, a privately-held chain that appears to be growing incrementally in sales and store count and keeping a low profile, and National Office Warehouse, a small two-unit company owned by the Wasserstrom Co.

New TV Retailers Try to Grab Viewers' Attention

The growth in TV home shopping sales slowed down in 1991, but the industry's potential continues to attract new players as well as the jockeying for market share by the two companies that comprised the electronic retailing business.

These two companies, the Home Shopping Network and QVC Network, generated $1.965 billion in sales in 1991, with the former accounting for 53% of the volume and the latter 47%.

The industry's newest entry was ValueVision International, which garnered $323,070 in sales from its initial operations during its fourth quarter, ended Jan. 31, 1992.

ValueVision, during its developmental fiscal year, had the smallest reach in the TV home shopping field, with a potential full- and part-time audience of about 3.2 million TV households from owned and affiliated low-power TV (LPTV) stations—its initial market niche.

It also purchased time on three cable TV stations, plus about three million satellite dish viewers. Since then, it expanded its potential viewership by signing on cable TV stations in over 30 markets so that its audience has grown to about 8 million households: about 2.9 million cable TV viewers, two million LPTV households, and 3.1 satellite dish owners.

The market jockeying between QCV and HSN also focused on increasing potential viewing audiences.

The jockeying saw QVC launch its second shopping service in October. That move resulted from QVC signing a licensing agreement with the JCPenney TV Shopping network to replace the teleretailing service that JCPenney had provided to a number of cable TV systems. QVC aired its basic program to systems that weren't carrying its show and launched the QVC Fashion Channel on cable TV systems that had been carrying both QVC and JCPTV.

QVC's reach last year went to 36.3 million cable homes able to view the network full-time from 29.4 million while part-time viewers dropped to 3.8 million households from 4.1 million. Satellite dish owners can also receive QVC and HSN.

While QVC transmits its programs only via cable TV systems, HSN airs a trio of teleselling shows over cable and both full-power and LPTV broadcast TV stations.

HSN has focused on boosting its broadcast reach as its cable TV audience has shrunk due to QVC's stronger hold on this market. Major stakes in QVC, in fact, are held by a number of cable companies.

HSN's potential viewership for its main program HSN 1 includes 18.3 million households able to receive the show over 1,450 cable systems, up from 17.8 million homes receiving the program over almost 1,500 cable systems. Its second teleselling effort, HSN 2, has a mixed audience of 9.3 million cable households and 28.3 million broadcast TV homes. A year ago, HSN 2's audience included 9.6 million cable households and 28 million broadcast TV homes.

Top Electronic Retailers

Chain	Sales (In Millions)		% Change
	1991	1990	
Home Shopping Network[1] Clearwater, Fla.	$1,043	$ 980	6.4%
QVC Network[2] West Chester, Pa.	922	776	18.8
Total:	$1,965	$1,756	11.9%

[1] HSN sales only; excludes shipping revenues, subsidiary sales.

[2] QVC Network: Sales include Sears product sales in 1991 of $22 million and $38 million in 1990.

Source: DSN Research

HSN Spree, its third program is to air either full or part-time by 88 broadcast stations, up from 73 outlets.

The TV shopping field is likely to undergo vast changes starting in 1993 due to major technology changes. For example, technology that will allow a cable system to triple the number of channels using current equipment is seen as increasing the industry's interest in home shopping as one type of programming to fill up the expanded market.

Waiting in the wings are an undetermined number of start-up companies that are expected to sell merchandise and provide other services using the TV industry's newest technology, interactive Video Data Service. That technology's current leading sponsor, TV Answer, is waiting for government approval of its system. After that it plans to franchise its technology to companies that will provide interactive TV services, including shopping, in local markets.

Without Crafts, Variety Stores Languish

Variety store chains, which had already discovered the crafts category as one that could boost store sales volume and profits, deepened their commitment to the business during 1991.

With the exception of Fred's, most other variety store retailers that have not positioned themselves as a destination stop for craft supplies reported lackluster sales performance last year. Some of these chains include:

- Woolworth Corp., whose U.S. variety store sales, store count, and operating profits were down for the year, although the chain intensified penetration of the New York metropolitan area with the acquisition of the Lamston chain;
- McCrory Stores, which had also closed stores and reported a sales decrease, and filed for Chapter 11 bankruptcy;
- Sprouse-Reitz, which reported declining sales despite no decline in store count. However, the chain recently had its plan of reorganization approved and now is creating both destination craft shops (among other changes) within its stores, and last month commenced a test of a crafts-only store located in Salem, Ore.

Ben Franklin and Winn's operate freestanding crafts stores and V&S Variety stores has beefed-up its crafts department.

The fact that Ben Franklin variety store franchisors averaged a 1% comp store sales decrease while its craft store franchisors reported a 7% comp store increase further illustrates the significance of crafts to the otherwise ailing variety store business.

Ben Franklin is also gradually increasing the number of company owned stores it operates—all of them Ben Franklin Crafts stores—and expects to have 10 by year-end.

Tim Foster, vice president, operations at Sprouse-Reitz, described the function of crafts within variety stores: "In 'peril' markets—where we would be the seventh best discount store—we are trying to find a niche in the craft area. We think crafts retailing is a growing segment in the country . . . Rather than being a one size fits all retailer, we're trying to customize."

A Sprouse test store in Hermiston, Ore., which is half crafts and half variety store, is already reporting double the volume it did as a typical Sprouse variety store.

At V&S Variety Stores, the chain went from averaging 2,000 craft related skus per store to 8,000 in roughly the last 18 months, noted a chain spokesman who commented: "We've really expanded the emphasis of crafts and separated the department."

Top Variety Store Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Woolworth New York	$2,068	$2,151	3.9%	1,506	1,465	1,494	NA
McCrory Stores York, Pa.	1,354	1,509	(10.3)	1,147	819	824	13
Ben Franklin[1] Carol Stream, Ill.	1,100	1,000	10.0	988	968	980	8
Fred's Memphis,Tenn.	292	284	2.8	136	144	154	13
Sprouse-Reitz[2] Portland, Ore.	185	224	(17.5)	192	192	164	17
Winn's[3] San Antonio	169	168	0.6	230	250	255	13
V & S Variety[4] Chicago	140	123	13.8	1,974	2,041	2,041	8
Total:	$5,308	$5,459	(2.8%)	6,173	5,879	5,912	—

[1] Ben Franklin: Sales represent company estimates for franchised and company-owned variety and craft stores; excludes wholesale revenues.
[2] Sprouse-Reitz: Filed for Chapter 11 in November 1991; reorganization approved June 1992.
[3] Winn's: Reflects variety and craft store operations.
[4] V & S Variety: Reflects variety and variety/hardware combo stores.
(   )—Decline
NA—Not available or not applicable.

Source: DSN research

A Year of Acquisition, Expansion at Crafts Chains

High drama best describes the specialty crafts and fabric chain industry during the past 12 months.

Last year, the following noteworthy events occurred:

- Michaels Stores named a new president and reported a tripling of its first half earnings to $1.5 million;
- Leewards, which attempted to go public, was forced to pull back at the last minute and ultimately asked the vendor community for an extended payment plan to avoid bankruptcy;
- House of Fabrics continued its aggressive expansion with the acquisition of both the Fabricland and Fabric King;
- Similarly, Fabri-Centers of America acquired 18-unit New York Fabrics of Pleasant Hill, Inc. and 10-unit Giltex;
- Northwest Fabrics & Crafts, a division of ConAgra, acquired Crafts & More from Ames discount stores with plans to rename them Rainbow Bay Crafts. While Northwest Fabrics & Crafts will remain predominantly an apparel fabrics retailer, Rainbow Bay will—like Crafts & More—be a crafts retailer with a craft fabrics section.

While the crafts industry is certainly in flux, overall, comparable store sales increases are becoming a norm as retailers and manufacturers invest in technology that enables them to keep inventory reflective of consumer demand. Attention to internal cost structure and inventory levels also led to bottom line improvements.

Michaels reduced its bank debt during 1991 and was debt free by year-end. A secondary offering of 3.45 million shares in January 1992 raised more than $61 million in new equity. Michaels plans to have 205 stores by January 1994.

Frank's Nursery & Crafts is currently installing a VSAT (very small aperture terminal) satellite communications system at headquarters, and during the first quarter of 1992, all stores will be equipped with a satellite dish and equipment to support satellite communications, allowing stores to send and receive sales and inventory information via satellite.

The lawn & garden/crafts retailer plans to open 15 stores this year, with the goal of more than 400 locations in total by 1995. Total sales for Frank's Nursery & Crafts rose to $520 million in 1991 from $515 million, while craft and Christmas sales were up to $236 million from $234 million.

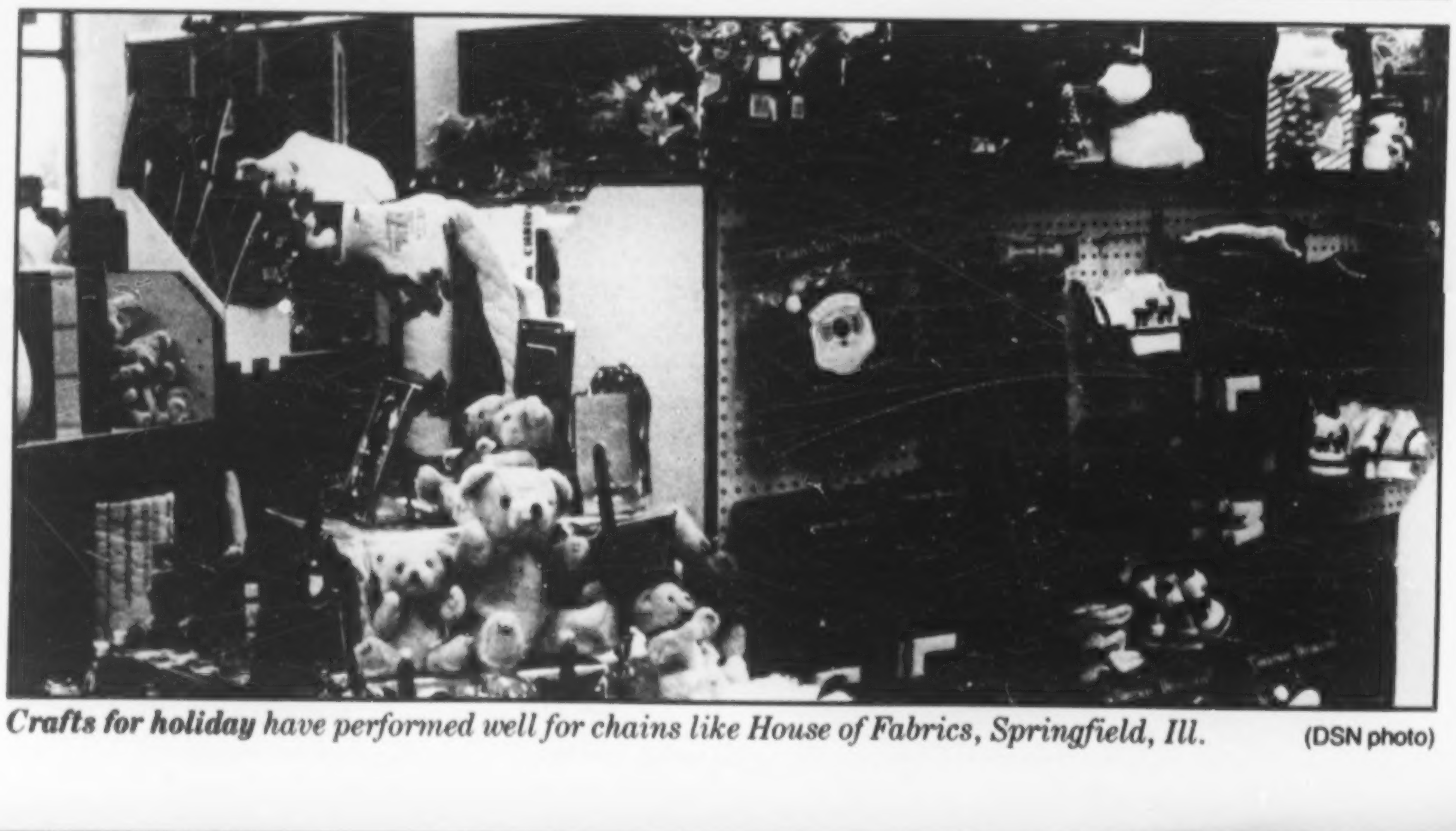
Michaels Stores registered a 9.1% comparable store sales gain in 1991. At Leewards, comp store sales rose 5.5% last year. Fabri-Centers of America recorded a comparable store sales gain of 12%; MJ Designs reported comp store sales rose 20%; and at Rag Shops, comp store sales surged ahead 13.1%.

Top Craft Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
House of Fabrics Sherman Oaks, Calif.	$ 493	$ 393	25.4%	604	667	669	10
Fabri-Centers of America Hudson, Ohio	447	385	16.1	617	664	690	10
Michaels Stores Irving, Texas	411	362	13.5	137	140	165	17
Franks Nursery & Crafts[1] Detroit	236	234	0.9	268	276	291	13
Leewards Creative Crafts Elgin, Ill.	159	131	21.1	92	87	87	14
MJ Designs[2] Irving, Texas	104	86	20.9	24	25	27	19
Rag Shops Hawthorne, N.J.	58	46	25.7	44	48	53	9
Total:	$1,907	$1,637	16.5%	1,786	1,907	2,012	—

[1] Franks Nusery & Crafts: Sales represent only craft and Christmas merchandise; store size excludes exterior selling area.
[2] MJ Designs: Sales represent retail revenues only.

Source: DSN research



***Crafts for holiday** have performed well for chains like House of Fabrics, Springfield, Ill.* (DSN photo)

Drug Chains Get Mixed Dose of Medicine in '91

Deep discount drug stores proved once again that the consumer wanted value in 1991. Total sales for the category were up, but deep discount drug stores had their share of mishaps for 1991. A recessionary economy did not escape this market.

Drug Emporium had a 20% increase in sales. However, due to its continuing conversion of franchised units to company-owned stores and the costs of an inventory-error adjustment, the chain reported a loss of $4.7 million compared to net income of $6.6 million a year earlier. The chain now has 129 company-owned stores, compared to 104 franchised units.

Drug Emporium is continuing to centralize its operations in order to improve performance. It cut down its regional offices from 12 to five and consolidated its purchasing, accounting and marketing operations in its Columbus, Ohio, headquarters. The drug chain also changed the focus of the company from store expansion to improving sales and profits.

Nichols Pharmhouse also had only modest results. It reported flat sales for 1991, but the chain is poised for some growth. It emerged from Chapter 11 bankruptcy in December 1991 and store expansion is likely.

And while one chain emerges from the ashes, another bites the dust.

Discount
2+2=$5

***Drug Emporium** has changed its focus from store expansion to improving sales and profits.*

Dot Discount Drug, which was begun by Wal-Mart and sold by them in 1990 after deciding that deep discount drug stores were not in its future, went out of business in February 1992. The stores were converted to Phar-Mor units.

Two of the leaders in this market did concentrate on store expansion, especially focusing on making inroads with entries in new markets. For both F&M and Phar-Mor, the Northeast and Middle Atlantic states presented expansion opportunities. Phar-Mor also expanded into the South and on the West Coast.

For F&M, 1991 was a benchmark year, as it surpassed the 100-store count with 15 openings during 1991. Though smaller in store size than its competition, F&M has managed sales increases through what may seem like untraditional means. The chain rarely advertises and its EDLP policy has virtually eliminated sales promotions.

Phar-Mor also had an impressive 1991, edging closer to $3 billion in sales. By year-end, it will also exceed the 300-store mark. It plans to open another 60 stores throughout 1992. Included among these openings is its first foray in the New York metro area.

Like many chains looking to distinguish themselves in a crowded and competitive field, Phar-Mor has taken to testing departments outside its traditional mix and base of expertise. Last year, Phar-Mor opened a Mrs. Fields cookie franchise in one unit and recently opened another. Also being tested in a limited way is licensed sports apparel and optical centers. Phar-Mor has never been gun-shy about entering new categories. Office furniture is another untraditional product category that they have featured.

ALP Freddy's did well in 1991, under a new name and new management put in place during the second half of the year. Melville Corp., sold the Freddy's division to A.L. Price in August 1991 to concentrate on its CVS and Peoples drug chains. The ALP Freddy's name reflects the consolidation of the two chains.

Top Deep Discount Drug Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Phar-Mor Youngstown, Ohio	$2,860	$1,600	78.8%	232	291	351	65
Drug Emporium[1] Columbus, Ohio	746	624	19.6	NA	129	129	NA
F&M Distributors Warren, Mich.	700	588	19.0	95	107	113	NA
Marc's Middleburg, Ohio	325	310	4.8	21	23	23	NA
ALP Freddy's[2] Woonsocket, R.I.	275	264	4.2	43	38	38	25
Rockbottom Port Washington, N.Y.	230	225	2.2	29	31	33	17
Rx Place New York	125	110	13.6	22	25	26	26
Nichols Pharmhouse[3] New York	90	90	0.0	19	14	14	35
Drug Palace Shiremanstown, Pa.	81	82	(1.2)	40	40	40	NA
SupeRx Deep Discount[4] Cincinnati	64	59	7	NA	13	14	NA
dot Discount Drugs[5] Lenexa, Kansas	50	76	(34.2)	14	0	0	20
Cost Cutters Somerville, N.J.	47	45	4.4	9	10	12	25
Price-Less Drug Co. Rancho Cordove, Calif.	20	17	17.6	2	3	4	20
Total:	$5,613	$4,031	39.2%	526	724	797	—

[1] Drug Emporium: Figures for company-owned stores only.

[2] ALP Freddy's: Formerly Freddy's, a division of Melville Corp., sold to A.L. Price August 1991.

[3] Nichols Pharmhouse: Emerged from Chapter 11 December 1991.

[4] SupeRx Deep Discount: Parent Hook-SupeRx became public June 1992.

[5] Dot Discount Drugs: Out of business as of February 1992.

( )—Decline NA—Not available or not applicable.

Source: DSN research

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Joint Ventures Fuel Retail Interest in Mexico

Last year will be remembered as the year when the retailing and manufacturing community suddenly turned its sites on Mexico as Wal-Mart and Price Co. pioneered a new retail terrain.

Wal-Mart's and Price Co.'s joint ventures with Mexico's dominant discount retailers—CIFRA and Controladora Comercial Mexicana—respectively, have created a stampede of retailers and manufacturers looking to follow these U.S. retail leaders into one ~~of the~~ most promising, and geographically convenient, lands of opportunity.

The Mexican retailers in joint ventures with Wal-Mart and Price enjoyed significant net income gains last year.

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Grupo Gigante, has entered into a joint venture with Fleming Cos.

Controladora Comercial Mexicana reported a 48% gain after discounting the effects of inflation while CIFRA reported a 22% improvement over the previous year.

Controladora Comercial Mexicana commands 21% of total self-service square footage while CIFRA represents 14%, according to ANTAD, the Mexican self-service retail trade organization.

Wal-Mart and Price Co. were among those best positioned to recognize the opportunity posed by Mexico; customer traffic to locations along the Mexican border and shopping habits revealed by membership card data suggested the Mexican consumer and small business operator welcomed the warehouse club format.

Now the crossborder shopping has reversed somewhat. Price Club de Mexico estimated that 20% of its shoppers already had a membership card from the U.S. (but were Mexican citizens) when they entered the warehouse in Mexico City, according to a source with Price Club de Mexico.

As other retailers continue to examine the potential of Mexico, Wal-Mart is already deepening its partnership with CIFRA to the point where a possible merger has been rumored by the financial community.

In a report dated June 3, 1992 by retail analysts Bernard Sosnick and Dorothy Lakner of Oppenheimer & Co., New York, said that involvement by Wal-Mart in all of CIFRA's future retail formats—but no mention of how CIFRA and Wal-Mart will handle existing stores in the chains—"seems to be an unresolved issue" and "leaves open the possibility that a merger with or buyout by Wal-Mart might be open for consideration."

All of CIFRA's future growth will involve Wal-Mart, excluding the restaurants and department stores.

Last year also marked the opening of the first Sears discount store format, debuted by Sears Roebuck de Mexico. Sears AutoServicio (self-service), a traditional, full-line discount department store was opened as a test not far from Mexico City.

While Chicago-based Sears decreased its ownership in its Mexican operations, Woolworth Corp. acquired full ownership of its Mexican division.

Leading Discount Retailers in Mexico

(Sales in Millions)

Company	Sales 1991	Stores 4/92	Proj. Stores 1/93	Avg. Store Size (000 Sq. Ft.)
CIFRA[1]	$2,765	190	232	
Alamances Aurrera	1,199[2]	36	39	67
Gran Bazar	NA	2	4	175
Club Aurrera[3]	560	2	4	82
Bodegaurrera	559	29	28	45
Grupo Gigante[1],[4]	**$1,661**	139	147[5]	
Gigante	1,620	109	NA	58
Controladora Comercial Mexicana[1]	$1,414	126	135	
Comercial Mexicana	1,188	76	81	68
Bodega Comercial Mexicana	110	12	17	45
Price Club de Mexico[6]	NA	1	2	110
Blanco[7]	$ 555	93	94	43
Soriana	$ 515	20	23	97
Woolworth Mexicana[1]	NA	50	57	
Woolworth	NA	32	34	20
Mini Woolworth (tourist shops)	NA	6	6	1
Oshman's Sporting Goods[8]	NA	2	3	8

[1] Corporate totals include unlisted food and/or non-discount operations.
[2] Includes Aurrera and Gran Bazar sales.
[3] Joint venture with Wal-Mart, Bentonville, Ark.
[4] Joint venture with Feming Cos., Oklahoma City.
[5] Assumes 3 of the projected 5 price impact supermarkets to be opened jointly by Grupo Gigante and Fleming Cos. will be completed by year-end.
[6] Joint venture with Price Co., San Diego, Calif.
[7] Blanco has signed a definitive agreement to be acquired by Gigante.
[8] Licensed by Oshman's but fully owned by Fuerza Vital S.A. de C.V.

Data in U.S. dollars were converted at the rate of 3,076.75 pesos to $1.00 prevalent at Dec. 31, 1991.

NA—Not available or not applicable.

Source: DSN research

Canadian Chains Face Challenge of Staid Retail Market

The United States was confronted with a challenging economy last year, but in Canada, recession took on the darker hue of depression, causing most chains to struggle to attain flat comparable store sales levels compared with the previous year.

Membership warehouse clubs like Costco and Price Club wrestled market share away from other retailers, and were able to report significant operating profit gains during last year.

Sales at Sears, Canadian Tire and Woolco were down in 1991, while Zellers reported a sales gain—due primarily to the acquisition of the Towers chain. Zellers comparable store sales were basically flat for 1991. At Sears, comp store sales were down 7.4% last year.

As Sears' president and chief executive officer, G. Joseph Reddington, surmised in the company's annual report to stockholders, "Frankly, we are not optimistic about the prospects for significant recovery in the current year. Conditions exist that could result in 1992 being just as difficult as the past year."

The inflated Canadian dollar, crossborder shopping into the United States, high real interest rates, high unemployment, and continued low consumer confidence, are all factors deterring economic recovery.

The sour economy also contributed to the liquidation of Bargain Harold's—the variety store chain once operated by Kmart Canada and then sold last year to private investors. Bi-Way, the dollar store division of Toronto-based Dylex, recently acquired 25 of the Bargain Harold's, leaving Bi-Way as Canada's only large dollar store chain, with stores in eight provinces. (Bi-Way does not have stores in Quebec.) Arthur Smith, executive vice president with Bi-Way said the chain was able to sustain flat comparable store sales in 1991.

Woolco's performance last year worsened Woolworth Corp.'s annual financials, but the Canadian operations have undergone changes in cost structure and technology that should help. Kinney and Woolworth's operating divisions in Canada are undergoing consolidation to reduce costs. The company has also invested over $50 million in POS cash registers and scanning equipment to improve its competitive position.

Sally Smith, financial analyst with Alex. Brown & Sons Inc., Baltimore, forecasted "a return to profitability at Woolworth Canada due to a change in that division's pricing strategy and some economic recovery." She noted that last year, however, "Much of the 40% drop in foreign operating income was caused by weakness in Canada where the company's general merchandise stores took aggressive promotional and clearance markdowns to reduce inventories."

Top Canadian Retailers

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1991	1990		1/91	1/92	Proj. 1/93	
Sears Canada[1] Toronto	$3,571	$3,914	8.8%	97	106	106	NA
Canadian Tire[2] Toronto	2,987	3,060	(2.4)	418	420	425	42
Zellers[2] Montreal	2,789	2,330	19.7	265	272	276	60
Woolco Canada Toronto	1,700	1,904	(10.7)	147	148	152	NA
Kmart Canada[2] Brampton, Ontario	1,217	1,282	(5.1)	125	126	127	70
Price Club Canada Laval, Quebec	957	766	24.9	11	12	17	100
Bi-Way[2] Scarborough, Ontario	670	605	10.7	263	269	300	9
Costco Burnaby, B.C.	559	336	66.4	8	10	12	120

[1] Sears Canada: Sales are for all retail formats; store count includes only Sears stores.
[2] Sales in Canadian dollars
(   )—Decline

NA—Not available or not applicable.
Source: DSN research

Megastores Threaten Conventional Sporting Goods Chains

(Continued from page 91)

for the nine chains included on this year's census chart. The disparity between their percentage gain and that of the industry as a whole suggests they gained market share at the expense of other classes of trade, such as independents.

A new era of openness about industry sales and earnings is afoot, now that Kmart has decided to break out Sports Authority financials from corporate, and SportsTown, Atlanta, has gone public.

In order to bolster its stock price, Kmart is considering spinning off minority interests in its specialty chains, including Sports Authority. In an apparent bid to whet the appetites of potential investors, Kmart this year began disclosing specialty results.

For the first quarter of 1992, Sports Authority produced a profit of $2 million on sales of $82 million, compared to a $1 million loss on $40 million in sales in 1991. Same store sales rose 19.5%.

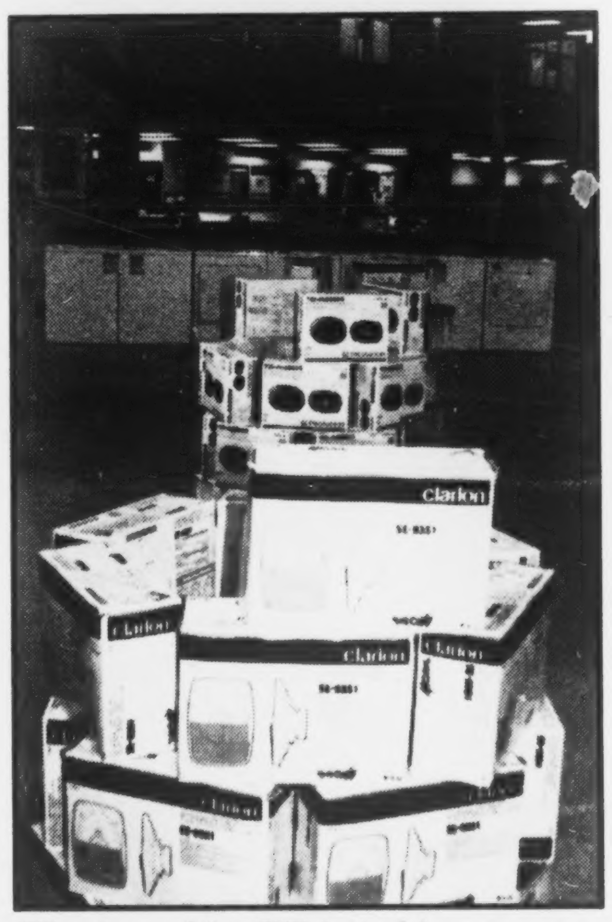
In its public offering, SportsTown disclosed sales of $88 million for 1991, up from $73 million a year earlier.

As part of its 15-store expansion program for 1992, Sports Authority opened the first of at least 10 40,000-sq.-ft. stores in metro New York. Located in Wayne, N.J., the unit recorded the highest Saturday sales during grand opening in the chain's five-year history, including Christmas.

Sports Unlimited, which is headquartered in Tampa, Fla., also is on an expansion mode and venturing farther afield from its Sun Belt base. Among the eight new units for '92 are openings in Charleston, S.C., (July 1) Harrisburg, Pa. and Cincinatti and Columbus, Ohio in the fall.

Even money-losing Oshman's, which intends to close nine more conventional stores this year, is sticking by the megastore concept and will open a fourth Oshman's SuperSports unit this fall.

Consolidation Is Key to CE Biz



***The trend in CE** is to bigger, more productive stores, like this Sunrise, Fla. BrandsMart U.S.A.*

(Continued from page 91)

stores within a year. A company spokesman said the chain is exploring real estate in major U.S. markets, and with deep pockets and an easily replicable format, it is capable of opening doors within a few months of breaking ground.

While the CE business has been nearly flat over the past three years, due in part to the recession and a dearth of exciting products, late 1992 and the first portion of 1993 could see strong growth.

The recession seems to be over, and a new flood of products, from 16 by 9 television, DCC, Mini Disc, Apple's Newton, and a wave of value-added multimedia computers to 900 megahertz telephones could stimulate business.

The survivors of the industry shakeout seem well-positioned to take advantage of the coming boom. Even poor 1991 performers (like Highland) have taken steps to become more competitive. In the next 12 months, most should start reaping a bonanza harvest, as long as the country avoids a return to recessionary conditions.

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STARTED

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WORLDWIDE SPONSOR 1992 OLYMPIC GAMES

Despite Recession, Discount Industry Posts 11.2% Gain

(Continued from page 54)

- Specialty discounters, including home specialty chains, posted $27.6 billion in sales, up 11.3%. This year sales should hit $29 billion, up 5.1%;
- Off-price apparel chains rang up $13.2 billion in sales in 1991, up 10% from 1990 and should add another 8.3% to that in 1992 to $14.3 billion;
- Catalog showroom sales fell to $6.5 billion in 1991, down 9.7%, and should drop another 1.5% this year to $6.4 billion.

For some discounters, 1991 was a pretty good year.

In fact, some companies showed their mettle. Chief among them was Wal-Mart, which posted a 24.2% sales increase and a 25% earnings gain, which accounted for all but a small portion of the sales increase among the nation's top 49 discount department store chains. Sam's Club, a Wal-Mart company, posted a 43.3% sales gain in 1991 which caused it to leap over Target in the overall standings but its sales gain was eclipsed by that of Pace, which posted a 58.9% sales increase and a 225% earnings gain.

BJ's Wholesale Club, which is No. 25 on the top 175 list, posted a 24.5% sales gain and a 100% earnings increase. Office Depot, No. 28 this year, up 23 spots from the 1990 survey, recorded a 44.1% sales increase and a 43.1% earnings gain.

Other top gainers include:

- Best Buy, up 39.8% sales and 71% in earnings, helping it leap 10 spots on the *DSN* top 175;
- AutoZone, up 21.7% in sales and 89.5% in earnings;
- Staples, up 83.1% and 212.5%, respectively;
- The Good Guys, up 45.2% and 48.4%.

Wal-Mart Tops for 2nd Year

(Continued from page 80)

registered by Goldblatt's, Chicago. Up 20.3% from last year, this small 12-store urban chain registered $71 million in sales in 1991, up from $59 million in 1990. Earnings totaled $2 million, an increase of $700 million or 54% over the year-earlier period.

On a sales per square foot basis, the most productive chain on the discount department store list was Fedco, Santa Fe Springs, Calif. Fedco's sales per square foot were just slightly below Sam's Club, at $513 per square foot. Second to Fedco, which is a nine-store chain, is Smitty's, Phoenix, $301, a chain where food sales figure prominently.

On average, discount department stores achieve $181.75 in sales per square foot. Fifteen chains reported results over that with 13 chains reporting sales per square foot over $200.

Bumpy Road For Auto Chains

(Continued from page 92)

gear. It opened its first franchised unit of 9,000 sq. ft. and five service bays last August and will end 1992 with at least 13 units, and possibly 16. It just opened its eighth Auto America franchise last month in Greenville, N.C.

Next year, its expects to open 20 to 30 more, depending on the availability of suitable real estate of an acre.

In a merchandising move, AC/Delco has developed a computerized, electronic parts kiosk and began testing it this spring in Trak Auto stores and B.J.s Wholesale Clubs.

Wal-Mart has completed the rollout of its own electronic kiosk that includes all the parts it stocks from every vendor. Its Sam's Club wholesale division also is using an electronic parts kiosk developed by GNB batteries.

Such kiosks make it easier for customers to select their own parts, tire and battery sizes without requiring expensive sales help to boost add-on sales through cross-merchandising suggestions.

THIS IS THE SAGA OF A STORE THAT BECAME A HERO TO ITS CUSTOMERS, THEIR CHILDREN, AND THE COMMUNITY, AS WELL.

In cooperation with Reading is Fundamental® we've created this insightful booklet called How To Get Your Kids Excited About Reading that you'll be able to offer your customers free with purchase.

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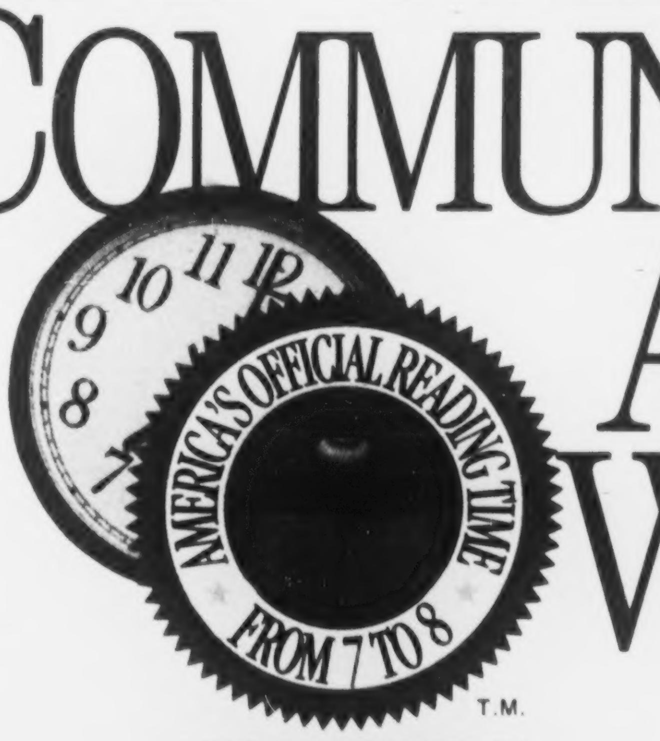
HOW TO GET YOUR KIDS EXCITED ABOUT READING



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In 1992, Sylvania retailers across the country are standing together in support of a program that goes far beyond traditional store promotions. It is a program that goes to the very heart of your customers' hopes and dreams for the future of their children.

It's called America's Official Reading Time™ and we want to invite you and your company to be a part of this ongoing national effort.

CATCHING UP. We all know America has been falling behind in education. Illiteracy is a major problem. Schools are struggling, test scores are down. Over the last decade, kids have been watching more and more TV and reading less and less. Overall, we have become less competitive as a country.

NOW IS THE TIME. From now on, we at Sylvania want to make 7:00 to 8:00 at night America's Official Reading Time. We want to inspire families to put reading back into their lives by reserving a special time each day to read. We're recommending 7:00 to 8:00, but it can be anytime a family agrees to read together.

If people make this small change in their lifestyles, we believe big things can happen.

The first component in this effort will be a booklet called How To Get Your Kids Excited About Reading. We'll be offering it free with a purchase of our light bulbs, in a major third quarter promotion that we want your company to be a part of.

As a retailer, this is your opportunity to be a hero in your community by being an official sponsor of America's Official Reading Time.

For all the details on this powerful program, just contact your Sylvania Representative or call 1-800-LIGHTBULB.

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Bulls Embraced Discount Store Stocks During 1991

By Neil Nordby

What a difference a year makes.

That's what investors in discount store stocks must have said to themselves after 1991's dizzying rally in this sector finally came to a close.

When the smoke had cleared and the books were closed on 1991, here's how the industry looked: the *Discount Store News* Stock Index pole vaulted nearly 800 points en route to a record high of 2017.11 (Our index of 60 issues has since gone on to a record high of 2516.22 set on March 2, 1992). One other way of looking at last year's results was thus: each company in the accompanying stock table tacked on an average of 66% to its stock price in what was a record-breaking, one-year journey for these stocks.

But it wasn't at all like this in 1990. Instead, one year ago investors felt the stinging effects of the market's sudden and powerful reversal, and discounters were singled out for special punishment despite their better-value-for-the-buck approach. In fact, the *Discount Store News* Stock Index toppled downward a heart-pounding 28% in 1990.

But that was then, and this is now.

In 1991, the industry was littered with discount retailing stocks posting double-digit gains. Why the powerful performances of retailing stocks despite a floundering national economy? Many of the stocks benefited from investors' shift into cyclical stocks in anticipation of an economic rebound. In the

(Continued on page 116)

In 1991 the industry was littered with discount retailing stocks posting double-digit gains.

Return on Assets[1]

Company	1991 Return on Assets	1990 Return on Assets
Value City Dept. Stores Inc.	15.58%	8.61%
AutoZone Inc.	11.02	7.09
Wal-Mart Stores Inc.	10.42	11.34
Family Dollar Stores Inc.	10.08	8.09
Good Guys Inc.	9.67	9.68
Dollar General Corp.	9.06	7.04
Pic 'N' Save Corp.	8.62	5.01
Melville Corp.	8.49	10.52
Venture Stores Inc.	8.17	7.68
Circuit City Stores Inc.	7.83	6.48
Toys "R" Us Inc.	7.47	9.10
Costco Wholesale Corp.	7.43	6.00
Filene's Basement Corp.	7.42	8.30
Price Co.	7.26	10.36
Syms Corp.	7.16	7.08
ShopKo Stores Inc.	7.03	6.51
Consolidated Stores Corp.	6.10	1.58
Burlington Coat Factory	5.64	5.74
Kmart Corp.	5.37	5.44
Service Merchandise Co.	4.84	3.67
Fred Meyer Inc.	4.65	3.71
Pep Boys-Manny, Moe & Jack	4.54	4.58
Waban Inc.	3.82	3.18
Staples Inc.	3.19	2.56
Dayton Hudson Corp.	3.17	4.83
Best Buy Co.	2.85	(5.10)
QVC Network Inc.	2.75	(2.29)
Office Depot Inc.	2.68	3.53
Hills Department Stores Inc.	2.66	(35.30)
Strawbridge & Clothier	2.15	2.67
TJX Cos.	1.82	7.08
Stop & Shop Cos.	1.22	0.12
Sears, Roebuck and Co.	1.20	0.94
Caldor Corp.	0.31	0.56
Pamida Holdings Corp.	0.14	0.31
Jamesway Corp.	(0.41)	(5.10)
Home Shopping Network Inc.	(1.58)	6.97
Oshman's Sporting Goods Inc.	(2.16)	(2.85)
Alexander's Inc.	(2.22)	(1.98)
Rose's Stores Inc.	(5.69)	(6.09)
Brendle's Inc.	(19.31)	0.75
Ames Department Stores Inc.	(20.83)	(49.06)
Highland Superstores Inc.	(41.87)	(6.23)
Lionel Corp.	(73.47)	(2.49)

[1] Return on assets equals net income divided by Total Assets.
(   )—Negative

Source: Nordby International

Total Assets[1]

Company	1991 Assets (In Millions)	1990 Assets (In Millions)
Sears, Roebuck and Co.	$106,434,800	$96,252,800
Kmart Corp.	15,999,000	13,899,000
Wal-Mart Stores Inc.	15,443,389	11,388,915
Dayton Hudson Corp.	9,485,000	8,524,000
Toys "R" Us Inc.	4,548,276	3,582,443
Melville Corp.	4,085,235	3,662,157
Stop & Shop Cos.	1,958,840	1,891,828
Price Co.	1,845,503	1,210,062
Service Merchandise Co.	1,572,663	1,653,202
Ames Department Stores Inc.	1,355,833	1,617,448
Costco Wholesale Corp.	1,140,591	819,869
TJX Cos.	1,105,319	1,047,301
Circuit City Stores Inc.	999,582	874,063
Fred Meyer Inc.	972,794	905,756
Pep Boys-Manny, Moe & Jack	856,925	819,421
Hills Department Stores Inc.	846,906	775,227
Waban Inc.	786,405	579,784
Caldor Corp.	763,628	755,311
QVC Network Inc.	714,539	740,183
ShopKo Stores Inc.	705,575	692,096
Strawbridge & Clothier	631,987	645,603
Home Shopping Network Inc.	565,036	556,236
Office Depot Inc.	559,275	355,935
Venture Stores Inc.	508,491	448,925
Burlington Coat Factory	438,751	418,508
Rose's Stores Inc.	409,768	455,942
Family Dollar Stores Inc.	399,271	355,097
AutoZone Inc.	398,850	328,442
Pic 'N' Save Corp.	396,845	344,380
Best Buy Co.	337,218	185,528
Consolidated Stores Corp.	329,321	288,119
Jamesway Corp.	311,878	345,637
Pamida Holdings Corp.	303,693	309,974
Staples Inc.	286,242	203,522
Dollar General Corp.	237,346	207,737
Value City Dept. Stores Inc.	227,201	224,965
Highland Superstores Inc.	205,854	361,233
Syms Corp.	199,211	199,211
Filene's Basement Corp.	188,725	148,368
Alexander's Inc.	188,057	198,993
Lionel Corp.	156,920	238,579
Brendle's Inc.	136,591	166,628
Oshman's Sporting Goods Inc.	131,690	143,544
Good Guys Inc.	113,567	76,137

[1] Ranks in descending order those companies with the highest amount of assets in dollars.

Source: Nordby International

Retail Stocks Reach Record High in '91

(Continued from page 115

past, these retail issues have led economic rebounds and investors were betting on a repeat performance in 1991. Mix in dramatically lower interest rates last year and its benefit to retailers by lowering inventory carrying costs, and the above concoction led to a record-breaking rally in retailing.

The other common denominators in last year's winning performances on Wall Street: the usual mixture of strong sales growth, earnings momentum and ever-improving same-store sales. Wall Street, being the earnings/sales-driven machine that it is, rewarded those discounters possessing the strongest income statements and balance sheets last year. Let's take a look at the year-to-date trajectories of 1991's winners and compare their performances on Wall Street with the results posted in this year's annual report card.

Take Venture Stores, for example. That stock certainly felt the warm glow of Wall Street's embrace, as its share price swelled 205% to $24.38. Among the compelling reasons for Venture's stellar performance on Wall Street: 1991's revenues soared to $1.52 billion creating profits last year of $42 million, or $2.48 a share). First-quarter 1992 earnings continued where 1991 left off, soaring 50% over year-earlier levels to 33 cents a share, while overall sales in March and April rose 16% and 15.5%, respectively. Interestingly, however, Venture Stores did not top any of charts in our annual report issue, posting middle-of-the-road marks for many of the categories.

The same held true for Best Buy, which was once again very good to shareholders last year, as overall and same-store sales triggered the rise in the company's share price.

It, too, placed in the middle of the pack when it came to many of our financial barometers. Higher sales and profits were the key to last year's winning performance on Wall Street for Best Buy, as its stock prices soared 193% to $16.50.

(Continued on page 119)

Common denominators in last year's winning performances on Wall Street were the usual mixture of strong sales growth and ever-improving same-store sales.

SG&A Expenses as a Percentage of Sales[1]

Company	1991 SG&A to Sales	1990 SG&A to Sales
Price Co.	7.83%	7.30%
Costco Wholesale Corp.	7.97	8.12
Waban Inc.	11.59	11.97
QVC Network Inc.	12.01	12.19
Wal-Mart Stores Inc.	15.09	15.68
Dayton Hudson Corp.	17.38	16.81
Service Merchandise Co.	17.44	17.06
Best Buy Co.	17.46	20.27
Strawbridge & Clothier	17.54	16.82
Pep Boys-Manny, Moe & Jack	17.60	17.80
TJX Cos.	17.83	17.23
Toys "R" Us Inc.	18.84	18.60
Pamida Holdings Corp.	19.22	18.96
Staples Inc.	19.52	21.03
Office Depot Inc.	20.09	20.40
Home Shopping Network Inc.	20.68	20.51
Stop & Shop Cos.	20.99	20.94
Filene's Basement Corp.	21.01	21.27
Kmart Corp.	21.22	20.07
ShopKo Stores Inc.	21.86	21.71
Venture Stores Inc.	22.16	21.63
Hills Department Stores Inc.	22.44	21.97
Rose's Stores Inc.	22.65	22.76
Good Guys Inc.	23.39	22.58
Dollar General Corp.	23.55	24.40
Syms Corp.	23.73	23.50
Caldor Corp.	24.12	24.44
Circuit City Stores Inc.	24.23	24.78
Brendle's Inc.	24.49	22.61
Ames Department Stores Inc.	26.08	28.16
Jamesway Corp.	26.74	26.94
Fred Meyer Inc.	27.08	27.23
Alexander's Inc.	28.12	26.78
Family Dollar Stores Inc.	29.26	29.29
Melville Corp.	29.48	28.68
Burlington Coat Factory	29.65	28.58
AutoZone Inc.	30.24	30.61
Highland Superstores Inc.	31.82	31.62
Value City Dept. Stores Inc.	31.93	33.27
Consolidated Stores Corp.	35.48	35.90
Oshman's Sporting Goods Inc.	37.11	35.76
Pic 'N' Save Corp.	37.14	36.38
Lionel Corp.	37.47	27.60
Sears, Roebuck and Co.	91.99	92.56

[1] Who controlled their selling, general and administrative expenses the best as a percentage of their sales. The lower the ratio, the better the cost control.

Source: Nordby International

Return on Sales[1]

Company	1991 Return on Sales	1990 Return on Sales
Pic 'N' Save Corp.	6.31%	3.26%
Value City Dept. Stores Inc.	6.04	3.60
Toys "R" Us Inc.	5.54	5.92
AutoZone Inc.	5.37	3.47
Sears, Roebuck and Co.	4.69	1.61
Syms Corp.	4.49	4.49
Family Dollar Stores Inc.	4.07	3.29
Pep Boys-Manny, Moe & Jack	3.88	4.24
Wal-Mart Stores Inc.	3.63	3.93
Melville Corp.	3.51	4.44
Filene's Basement Corp.	3.01	3.07
ShopKo Stores Inc.	2.99	2.94
Dollar General Corp.	2.85	2.24
Circuit City Stores Inc.	2.80	2.39
Burlington Coat Factory	2.73	2.99
Venture Stores Inc.	2.73	2.43
Consolidated Stores Corp.	2.61	0.67
Good Guys Inc.	2.57	2.51
Kmart Corp.	2.48	2.36
Service Merchandise Co.	2.24	1.77
QVC Network Inc.	2.13	(2.19)
Price Co.	1.98	2.32
Dayton Hudson Corp.	1.87	2.80
Fred Meyer Inc.	1.67	1.36
Staples Inc.	1.67	1.74
Costco Wholesale Corp.	1.60	1.19
Strawbridge & Clothier	1.40	1.75
Hills Department Stores Inc.	1.34	(12.78)
Office Depot Inc.	1.15	1.39
Waban Inc.	1.08	0.76
Best Buy Co.	1.03	(1.47)
TJX Cos.	0.73	3.03
Stop & Shop Cos.	0.48	0.04
Caldor Corp.	0.13	0.24
Pamida Holdings Corp.	0.07	0.14
Jamesway Corp.	(0.15)	(1.93)
Home Shopping Network Inc.	(0.83)	3.84
Oshman's Sporting Goods Inc.	(0.96)	(1.28)
Alexander's Inc.	(0.97)	(0.86)
Rose's Stores Inc.	(1.68)	(1.84)
Brendle's Inc.	(8.75)	0.40
Ames Department Stores Inc.	(9.55)	(24.22)
Highland Superstores Inc.	(14.98)	(2.62)
Lionel Corp.	(37.32)	(1.39)

[1] Return on sales equals net income divided by sales. This shows in descending order who had the highest amount of sales trickle down to the bottom line on a percentage basis.

(   )—Negative

Source: Nordby International

Long-Term Debt-to-Equity[1]

Company	1991 Long-Term Debt-to-Equity	1990 Long-Term Debt-to-Equity
Pamida Holdings Corp.	1639.81%	1753.04%
Service Merchandise Co.	593.65	2864.67
Stop & Shop Cos.	340.88	1344.63
Dayton Hudson Corp.	189.47	179.79
Caldor Corp.	183.47	446.23
Sears, Roebuck and Co.	135.11	98.54
TJX Cos.	117.99	114.08
Venture Stores Inc.	74.55	102.58
Fred Meyer Inc.	71.90	81.63
Price Co.	65.07	31.40
Strawbridge & Clothier	62.36	65.07
Pep Boys-Manny, Moe & Jack	53.96	61.19
Jamesway Corp.	51.17	54.00
Rose's Stores Inc.	48.00	59.95
QVC Network Inc.	46.80	175.63
Burlington Coat Factory	39.67	43.78
Pic 'N' Save Corp.	36.09	35.80
Kmart Corp.	33.19	31.59
Consolidated Stores Corp.	29.32	33.43
Filene's Basement Corp.	27.88	567.73
Wal-Mart Stores Inc.	24.64	13.80
Value City Dept. Stores Inc.	19.34	116.36
Brendle's Inc.	18.96	0.00
Waban Inc.	17.53	10.27
Melville Corp.	16.91	19.37
Toys "R" Us Inc.	15.66	8.93
Dollar General Corp.	14.02	14.48
Best Buy Co. Inc.	9.45	62.36
Circuit City Stores Inc.	8.55	25.72

[1] Ranks in descending order who has the highest amount of debt compared to underlying shareholder's equity. The higher the percentage in this instance, the weaker a company's balance sheet.

Source: Nordby International

Long-Term Debt[1]

Company	1991 Long-Term Debt (In Millions)	1990 Long-Term Debt (In Millions)
Sears, Roebuck and Co.	$19,170,100	$12,636,400
Dayton Hudson Corp.	4,227,000	3,682,000
Kmart Corp.	2,287,000	1,701,000
Wal-Mart Stores Inc.	1,722,022	740,254
Stop & Shop Cos.	1,087,564	1,276,354
Service Merchandise Co.	619,266	726,881
Price Co.	496,496	193,499
Toys "R" Us Inc.	379,880	182,695
Melville Corp.	353,521	358,803
Caldor Corp.	307,533	348,768
TJX Cos.	307,385	308,593
Fred Meyer Inc.	240,968	232,881
Pep Boys-Manny, Moe & Jack	204,250	210,868
Strawbridge & Clothier	156,237	158,880
QVC Network Inc.	152,461	366,688
Pamida Holdings Corp.	151,158	160,351
Waban Inc.	100,925	39,770
Burlington Coat Factory	96,040	95,838
Venture Stores Inc.	92,517	93,361
Highland Superstores Inc.	89,676	121,513
Circuit City Stores Inc.	85,415	94,350
Pic 'N' Save Corp.	81,567	68,164
Rose's Stores Inc.	68,500	99,500
Ames Department Stores Inc.	64,549	84,072
Jamesway Corp.	57,533	61,356
Consolidated Stores Corp.	50,000	50,125
Filene's Basement Corp.	26,073	77,399
Value City Dept. Stores Inc.	21,609	41,890

[1] The amount of long-term debt that resides in a company's balance sheet.

Source: Nordby International

Stocks Gain By Double-Digits

(Continued from page 116)

Pic 'n Save, on the other hand, topped the leader board when it came to highest return on sales in 1991, as this number hit 6.31%. Wall Street certainly took notice of that fact, as Pic 'n Save's stock rose 147% last year to $22.25 after a rough 1991 when it spent $19.3 million due to a proxy fight and related restructuring expenses. (In a side note, on June 22, the company asked shareholders to change its name to MacFrugal's Bargains-CloseOuts).

Value City topped the Return-on-Assets category, sporting a 15.6% return. The company was also second to Pic 'n Save when it came to Return on Sales, as that figure was a solid 6.04%. So how did the stock do in 1991? We'll never know, because the company did not become public until June of last year when it sold 3.75 million shares at $19.50.

For the second straight year, Price Co. boasted the highest sales per employee. Specifically, Price generated $352,940 per worker in 1991, down from $406,000 per employee in 1990. Price had the lowest SG&A Expense to Sales ratio in the industry at 7.83%. In another measure of the company's cost controls, Price was No. 1 when it came to Merchandise Inventories as a Percent of Sales. The result: an industry low of 5%. The cumulative effect of the above: Price Co.'s stock gained 28% in 1991 to $50.25.

Costco finished behind Price in all three aforementioned categories. The result for Sales per Employee: sales per worker hit $337,910, down from $344,384 in 1990. The company was also second when it came to SG&A Expenses as a percentage of gross sales. The result: that ratio was just barely above Price Co., coming in at 7.97%. When it came to Merchandise Inventories as a Percent of Sales, that number chimed in at 7.17%. But one category that Costco did not take second to Price Co. was in return to shareholder in 1991. Costco's stock price took wing last year, soaring 132% to $55.75.

And then there was Wal-Mart which had the third-highest Return on Assets of all the discount store concerns in our annual review at 10.4% (down from first place in 1990 when return on assets was 11.3%), Wal-Mart enjoyed the ninth-highest Return on Sales with 3.63% (down from fourth slot in 1990), came in second in Shareholder's Equity with just under $7 billion, took third place in Total Assets with $15.4 billion, and had the fifth-lowest SG&A Expense-to-Sales ratio in the industry at 15.1%. The result: Wal-Mart's stock rose a stout 95% in 1991 to $58.88 a share.

Merchandise Inventories to Sales[1]

Company	1991 Merchandise Inventories To Sales	1990 Merchandise Inventories To Sales
Price Co.	5.00%	4.84%
Costco Wholesale Corp.	7.17	7.76
Stop & Shop Cos.	9.19	8.20
Home Shopping Network Inc.	10.62	14.01
Alexander's inc.	11.00	11.06
QVC Network Inc.	11.82	12.95
Good Guys Inc.	12.43	12.29
Highland Superstores Inc.	13.56	18.74
Strawbridge & Clothier	13.76	14.13
ShopKo Stores Inc.	14.00	15.35
Waban Inc.	14.24	14.76
Best Buy Co.	14.61	14.84
Dayton Hudson Corp.	14.78	13.68
Hills Department Stores Inc.	14.86	10.24
Ames Department Stores Inc.	14.88	16.87
Fred Meyer Inc.	14.92	15.28
Venture Stores Inc.	14.97	15.57
Circuit City Stores Inc.	15.05	16.47
Sears, Roebuck and Co.	16.37	7.28
Wal-Mart Stores Inc.	17.74	18.89
Melville Corp.	18.97	19.07
Staples Inc.	19.18	23.43
Pamida Holdings Corp.	19.58	19.43
TJX Cos.	20.03	21.01
Caldor Corp.	20.28	20.38
Consolidated Stores Corp.	20.99	23.64
Jamesway Corp.	21.27	21.05
Filene's Basement Corp.	21.77	17.47
Kmart Corp.	21.82	21.49
Syms Corp.	22.44	22.66
Toys "R" Us Inc.	22.71	23.14
Rose's Stores Inc.	22.77	23.01
Dollar General Corp.	22.90	23.70
Pep Boys-Manny, Moe & Jack	23.05	26.53
Service Merchandise Co.	23.33	21.77
Value City Dept. Stores Inc.	23.70	27.92
Pic 'N' Save Corp.	24.06	19.20
Oshman's Sporting Goods Inc.	24.99	27.40
AutoZone Inc.	25.14	26.30
Office Depot Inc.	25.97	25.55
Brendle's Inc.	26.13	33.30
Family Dollar Stores Inc.	26.17	27.39
Burlington Coat Factory	28.03	34.34
Lionel Corp.	28.29	31.50

[1] Who managed their inventories the best as a percentage of overall sales.

Source: Nordby International

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Going Public in Vogue in 1991

(Continued from page 57)

May, Alexander's closed all 11 discount department stores and announced it will become an estate operator.

Chapter 11 filings, which were coming fast and furious in the first half of 1991, have slowed somewhat. In addition to Alexander's and Child World, two automotive parts warehouse chains, Auto Depot and Auto Giant have declared Chapter 11 just two years after startup.

But the warehouse auto parts and service concept remains alive with the startup of Auto Source, the U.S. subsidiary of Canadian Tire, Toronto. Auto Source has opened three 47,000-sq.-ft. units, with three more expected by fall.

Two chains emerged from Chapter 11, ALCO-Duckwall, with 104 stores left out of 150, and Nichols Pharmhouse, with 14 of 19 deep discount drug stores remaining.

Wholesale clubs accounted for three startups, two of them in Mexico and another in San Antonio.

Wal-Mart has formed a joint venture with CIFRA to launch a club chain in Mexico, and Price Club has done the same with Comercial Mexicana. In San Antonio, the H.E.B. grocery chain launched a wholesale club called H.E.B. Bodega.

Hypermarket operator Meijer, Grand Rapids, Mich., plans to open SourceClub, its first warehouse club, this fall in East Lansing, Mich.

Chapter 11 Bankruptcy Filings

Chain	Date of Filing	Units When Filed
Alexander's	May 1992	11
Child World[1]	May 1992	125
Foland's	April 1992	6
Auto Depot	January 1992	1
Auto Giant	January 1992	3
Lionel Leisure	June 1991	99
Hills	February 1991	186
Best Products	January 1991	195

[1] Obtained bankruptcy court approval in June 1992 to liquidate, but was still operating 71 stores at press time.

Emerged from Chapter 11 Bankruptcy

Chain	Date	Number of Units
Nichols Pharmhouse[1]	May 1992	14
Duckwall-ALCO	May 1991	104

[1] Deep discount drug operation of S.E. Nichols, previously a full-line discounter.

Discounter Startups

Chain	Owner	Type of Business
Auto Source (U.S.)	Canadian Tire	Automotive Aftermarket
Auto America	Western Auto	Automotives Franchise
Jysk Bed 'n Linens	Jysk	Bed & Bath shops
Reliable Office Superstore	Reliable Corp.	Office Products
H-E-B Bodega	H.E. Butts Grocery	Wholesale Club
Club Aurrera	Wal-Mart/CIFRA	Wholesale Club (Mexico)
Price Club de Mexico	Price Club/ Comercial Mexicana	Wholesale Club

Chain Spinoffs

Bradlees, May 1992, 100%, by Stop & Shop through initial public offering valued at $176 million.

ShopKo, October 1991, 54% stake, by Super Valu through initial public offering valued at $247.5 million.

On The Block

Chain	Owner	Units for Sale
Herman's	Isosceles PLC	259

Source: DSN research

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THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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Landrush Underway For Prime Alexander's Sites

NEW YORK — The race is on for Alexander's prime New York metro real estate, with chains as diverse as BJ's Wholesale Club, Kmart, Caldor and even Wal-Mart rumored to be interested in various sites.

Alexander's is just completing its going out of business sales, and the sites should be vacant by mid-August.

Kmart, which recently acquired the former Bloomingdale's site in the Fresh Meadows section of Queens, has made no secret of its interest in New York in general and Alexander's sites in particular.

"We're looking at some Alexander's sites, but we're looking at other sites as well in the metro area," a Kmart spokesperson said.

The company opened a two-level store in Southbury, Conn. (a renovated Jordan Marsh) this month and will debut another in Queens (a former Bloomingdale's) in the fall, so a prototype exists to take advantage of the multifloor Alexander's sites.

Wal-Mart, too, is reported to be working on a two-level Sam's/Wal-Mart combo, so it could possibly be interested in some Alexander's sites.

While the prime location is the 59th Street site, Alexander's operates 10 other stores, nine

(Continued on page 99)

Mexican Retailer Plans CE Chain

Grupo Gigante & Radio Shack in Joint Venture

FORT WORTH, Texas — Radio Shack has joined the move of U.S. retailers into Mexico through joint venture. In the process, Mexico's Grupo Gigante enters into its fourth store-base-building deal in 1992, adding fuel to the fire of the hot Mexican retail scene.

Tandy International, a wholly owned subsidiary of Tandy Corp., based here, has formed a partnership with Grupo Gigante, S.A., to open Radio Shack Technology Stores throughout Mexico, at a rate of 50 locations per year. The chain will be operated by Radio Shack de Mexico, S.A., the newly formed joint venture company, headed by 10-year Radio Shack veteran, Guido Pentsy who will be director general.

Angel Losada Moreno, executive vice president of Grupo Gigante, will act as chairman of the new company, which is a 50%-50% venture.

Tandy is also eyeing oppor[illegible]ities for expansion fur[illegible]r south into Latin Ameri[illegible] according to Philip [illegible]adtmiller, director of in[illegible]tor relations.

Earlier this year, the 111-unit Gigante had also entered into a joint venture with supermarket distributor, Fleming Cos. to develop a new retailing concept for the Mexican market: upscale "price-impact" supermarkets.

The Mexican hypermarket retailer also acquired eight stores from the El Sardinero supermarket chain in February, with plans to convert these units to Gigante stores. And on April 30, Grupo Gi-

(Continued on page 99)

SPECIAL SHOW COVERAGE

Video Sell-Through

More and more discounters are realizing greater margins from the sale of videos and are devoting much more time and effort to the way they merchandise them. For an in-depth look at the trends in the industry see stories starting on page 22.

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Outdoor Living

With Kmart's new Greenville, Mich., store as a leading example, discounters have emphasized their lawn & garden selections and have discovered that consumers are concerned about the environment as was evidenced by the multitude of environmental products expected to be shown at the OPEI show. For more details turn to stories starting on page 91.

Everyday Hero

Wooden floor *with coordinated apparel displays (above) are some of the design touches that Target has instituted in its Everyday Hero apparel specialty concept.*

Target Set to Open 2nd Apparel Unit in Super Mall

MINNEAPOLIS — Target will open its second Everyday Hero store next month in the much-awaited Mall of America, Bloomington, Minn., the 4.2 million-sq.-ft. super mall.

Everyday Hero marks Target's first attempt at a specialty store concept, designed to match the look of The Gap with shopper-friendly Target prices.

The Gap-like look of the first store, including wooden tables with coordinated apparel displays will be repeated at this second unit. According to Gail Dorn, a spokesperson for Target, the new store has no

(Continued on page 100)

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New Systems Added to Kmart, Pace Operations

By Arthur Markowitz

TROY, Mich. — Kmart, which won an award last month for its past technology efforts, is now starting to phase in more programs in its discount store and Pace Membership Warehouse operations.

Kmart said earlier this month that half of its 2,383 discount stores were now using Symbol Technologies' Spectrum One wireless spread spectrum data communication network and the technology would be rolled out to all Kmarts during the next five months.

The discounter next month is due to begin phasing in Triad Systems' automotive parts, prices and labor estimating database in its auto service centers, with the technology in all 991 centers by year-end.

Meanwhile, this month Pace will begin using J.D. Edwards' financial and job cost software to monitor its construction program that calls for 28 new clubs this year. The Paces being constructed in Orange Park, Fla., and adjacent to the LBJ Highway in Dallas will be the first clubs monitored using the technology obtained in the $100,000 deal.

Kmart won top honors in the annual Computerworld Smithsonian awards competition in June for the application technology used in its KIN II (Kmart Information Network) system. The discounter said the "critical suppliers" of the technology that form the bases for KIN II are Informix Software's database management software, Unisys' multiprocessing Intel-based Unix computing platform and Symbol Technologies' LRT 3800 hand-held scanning and radio frequency terminals that communicate over a Token Ring network through Spectrum One's wireless technology.

KIN II is at the heart of Kmart's drive to use retail technology to become a more efficient retailer, providing better customer service while driving down costs. President and chairman Joseph Antonini, in fact, said technology is playing a "critical role in competitively positioning Kmart for success in the '90s. Indeed, after store modernization, technology is probably the second most important building block to improve profitability and market share."

The discounter picked the LRT 3800/Spectrum One system as the data collection and communication technology for KIN II "because of its real-time data collection capabilities and unique spread spectrum implementation," said David M. Carlson, senior vp of corporate information systems.

Kmart uses the LRT 3800/Spectrum One system for a series of advanced merchandising applications including scanning shelf bar code labels to determine merchandise availability and ordering goods when necessary.

Kmart and other retailers view spread spectrum technology as a platform for many different uses. Kmart is developing its own specific undisclosed programs for the Spectrum One network.

Carlson in the past has said that spread spectrum technology is the basis for the wireless store and that Kmart picked the technology that ties into this. Symbol Technology has developed a wireless electronic register, but Kmart, so far, isn't known to be testing this terminal.

Kmart, however, is the largest retailer to deploy the complete Triad systems for its service personnel since the vendor began offering a labor cost database feature in November of 1991. The labor estimating database incorporates Mitchell International's mechanical repair information, a leading source to estimate the time and skill level needed for a specific job.

The basic program, used by a number of auto specialty retailers, includes a database of the price for 1.9 million parts from 400 suppliers, which is updated monthly.

Kmart, using the complete Triad system, can offer customers a complete cost analyis for a job, breaking out the price of the parts and the cost and time for labor.

(Continued on page 99)

Sprouse Celebrates Coming Out (of Chap. 11)

PORTLAND, Ore. — Sprouse-Reitz Stores celebrated its emergence from Chapter 11 July 1 with the unveiling of its updated logo on its headquarters here. More than 100 employees gathered in the parking lot as executives on the roof unveiled the giant painting.

Donald Tripp, company president, remarked, "The new sign is symbolic of the many positive changes that are taking place in our company."

Sprouse sought bankruptcy protection in November 1991. Subsequently, 100 unprofitable stores were closed, leaving it with 164 stores in the western United States and a new merchandising focus with an emphasis on crafts and several other categories. In addition, an exclusively crafts test store has been opened.

The remerchandising of stores is part of the company's decision to custom tailor each store to better fit the needs of each individual community.

Sprouse employees cheer while execs on the roof unveil the logo.

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Kmart puts Rx/HBA front and center

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MARKETWATCH

ShopKo Expanding to Colorado in '93

GREEN BAY, Wis. — ShopKo will expand to Colorado, its 14th state, in 1993. It will build two of six new stores in Longmont and Loveland, Colo. The others will be in Lacey, Wash.; Sheboygan, Wis.; Duluth, Minn., and Mitchell, S.D., pushing store count to 116. ShopKo will also remodel 15 stores next year to its Vision 2000 prototype.

Tops Opens First Unit Outside N.J.

EDISON, N.J. — Tops, the consumer electronics superstore, will debut its fifth unit, and first outside New Jersey, in Mount Pleasant, N.Y. The new store will open early in the fourth quarter and include 50,000 sq. ft. of selling space, as well as adjoin other category killers, including Pace Membership, The Price Club and Home Depot.

Kmart, CBS Launch Joint Promotion

TROY, Mich. — Kmart and CBS will launch the "CBS/Kmart Premiere Value Pack" promotion this fall in which 2 million product samples will be distributed at Kmart stores. Kmart circulars and in-store displays will further promote the program with CBS. Nabisco and Planters LifeSavers were among manufacturers said to be involved in the campaign. But other vendors are also expected to follow suit, with other promotions which are part of Kmart's new multimillion-dollar deal with CBS.

Stanley Makes Foray Into Paint Brushes

NEW BRITAIN, Conn. — Stanley Works has made its second diversification into paint applicators by buying American Brush, a producer of paint brushes and rollers. In its first such venture last year, Stanley purchased Britain's Mosley-Stone, and introduced products into the U.S. market in a small way under the Stanley name. American Brush generated sales last year of an estimated $18 million.

June 1992 Sales Gains

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart Inc.[1]	23.0%	8.0%
Sam's Club[2]	27.0	7.0
Kmart Corp.[3]	7.2	2.2
U.S. Kmart Stores[4]	2.3	0.5
Pace[4]	21.9	10.4
Sports Authority[4]	89.4	6.7
Target	14.0	4.0
Sears	(1.7)	(2.6)
Caldor	17.1	11.6
ShopKo	4.4	2.6
Venture	12.2	3.1
Consolidated Stores	13.5	(2.4)
Ross Stores	11.0	2.0
Dollar General	24.6	18.5
Jamesway	0.0	0.0
Value City	7.3	2.9
Mac Frugal's	(5.7)	(5.5)
Clothestime	17.0	4.0
Everything's A $1[5]	108.7	(9.4)
Toy Liquidators[5]	4.1	(6.7)
50-Off Stores	39.5	0.1
The Good Guys	18.0	(2.0)
Melville Corp.	4.8	2.2
TJX Cos.	17.0	NA

[1] Wal-Mart Inc. = total corporate results
[2] Sam's Club is a division of Wal-Mart
[3] Kmart Corp. = total corporate results
[4] U.S. Kmart Stores, Pace and Sports Authority are Kmart divisions
[5] Everything's A $1 and Toy Liquidators are divisions of Value Merchants Inc.

Source: Company reports

FOR THE RECORD

Sears' SG&A figure in all charts in last issue's Discount Industry Financial Report on Public Companies represented all the firm's costs and expenses, not just the Merchandising Group. That clarification should have been noted on the charts.

Patrick Doyle, a Founding Father Of Catalog Industry, Dies at 74

Patrick Doyle

CHICAGO — The catalog showroom industry has lost yet another of its founding fathers: Patrick J. Doyle, cofounder of McDade & Co., cofounder of industry buying group, Merchandisers Association Incorporated (MAI), and philanthropist, died of cancer on June 3. He was 74 years old.

Earlier this year, McDade's other co-founder Mike McDermott passed away, as did Fred P. Gattas of the catalog chain that bears his name.

Doyle was one of the first executives inducted into the National Association of Catalog Showroom Merchandisers (NACSM) Hall of Fame. Said Joe McLeish, executive director of MAI: "Pat was probably the kindest man I ever met in my life."

Raymond Zimmerman, chairman of Service Merchandise, said he first met Doyle 30 years ago at a housewares show, and grew to know and admire him. "He was a hard, tough, fair and fierce competitor," but was also the ultimate philanthropist, according to Zimmerman. "He worked for just about every organization that benefitted mankind with no concern for race, creed or color . . . He was a man who didn't have an enemy in the world."

Returning from New Guinea, where he was stationed as a medic and Master Seargent in World War II, Doyle worked as a salesman until 1948, when he and McDermott founded McDade & Co., originally a non-membership wholesale format, open to the public.

By the mid-'50s, the format was changed as McDade joined the ranks of the burgeoning catalog showroom format. McDade and other chains had made use of product pages supplied from manufacturers for the catalog presentation until the MAI was incorporated in 1960 with the help of Doyle and others. In its heyday in the 1980s, MAI's total sales volume reached $75 million.

McDade & Co., an eight-unit chain headquartered in Chicago, was hit hard in the mid-'80s by both the growing strength of competitors like Service Merchandise and the explosive growth of the discount department store industry. In an effort to save his chain, Doyle and three other directors deferred their own salaries totaling ($219,024) for one year, but ultimately liquidated in 1988, after 30 years of business.

Afterwards, Patrick Doyle went into business with his son as Doyle & Doyle, a sales representative firm.

His daughter, Sharon Zappa, said her father was always immersed in the retail industry, having attended 27 consecutive toy fairs and decades of housewares shows. Doyle, who is survived by his wife, was a father of six, grandfather to nine and great grandfather to one.

Stern of Pollenex to Head NHMA Board

Other Officers Picked For One-Year Terms

Richard Stern

Craig Winn

ROSEMONT, Ill. — Richard J. Stern, founder of Pollenex Corp., has been elected chairman of the board of directors for the National Housewares Manufacturers Association, for a one-year term ending June 1993.

Also elected to one-year terms as officers of the board are Joseph Gantz of Empire Brushes, Greenville, N.C., who will serve as vice chairman/chairman elect and David Burrows of Mirro Co., Manitowoc, Wis., will be NHMA treasurer.

NHMA Board members named to the executive committee for the year include Charles Peifer of Corning, Corning, N.Y., and John A. Balch of Cleveland-based Royal Appliance Manufacturing.

Newly named to the board of directors is Craig Winn, chief executive officer of Dynasty Classics, Carson, Calif., who will serve a three-year term.

Pittway Selling First Alert, BRK Electronics

CHICAGO — Pittway is selling its First Alert and BRK Electronics business to a Boston-based investment firm for $92.5 million.

First Alert is a leading producer of smoke detectors, fire extinguishers, lighting timers and other home security products. Current management will remain in place.

Under terms of the agreement, which is expected to close in the third quarter, Pittway will retain a 16⅔% interest in the business. It will receive $87.5 million cash for the balance.

"The aggressive growth strategies we already had in place, combined with a new, greater commitment of resources, will allow us to continue introducing innovative new products and promotions that expand our dominance in home fire safety and home security worldwide," said First Alert president Don Cont, when he announced the pact.

With the sale of its home security business, Pittway will focus its attention on the professional burglar and fire alarm systems, as well as its Penton Publishing business, said Pittway president and chief operating officer King Harris.

Along with the minority interest in First Alert, Pittway retains the rights to use the First Alert name in its professional security business, Harris said.